

ROCKAWAY VALLEY REGIONAL
SEWERAGE AUTHORITY
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

TABLE OF CONTENTS

| <u>Page</u> | | <u>Exhibits</u> |
|--|--|-------------------------|
| 1 | Independent Auditor's Report | |
| <u>REQUIRED SUPPLEMENTARY INFORMATION - PART I</u> | | |
| 4 | Management's Discussion and Analysis | |
| <u>FINANCIAL STATEMENTS</u> | | |
| 14 | Comparative Statement of Net Position | A |
| 17 | Comparative Statement of Revenues, Expenses and Changes in Net Position | B |
| 18 | Comparative Statement of Cash Flows | C |
| 20 | Notes to Financial Statements | |
| <u>REQUIRED SUPPLEMENTARY INFORMATION - PART II</u> | | |
| 60 | Schedule of the Authority's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) | RSI-1 |
| 61 | Schedule of the Authority's Contributions Public Employees' Retirement System (PERS) | RSI-2 |
| 62 | Schedule of Changes in the Authorities Proportionate Share of the State OPEB Liability | RSI-3 |
| 63 | Notes to Required Supplementary Information | |
| <u>SUPPLEMENTARY SCHEDULES</u> | | |
| | | <u>Schedules</u> |
| 64 | Schedule of Revenues, Expenses and Changes in Net Position - Restricted and Unrestricted | 1 |
| 65 | Schedule of Cash Receipts, Disbursements and Changes in Cash | 2 |
| 68 | Schedule of Operating Revenue and Costs Funded by Operating Revenue Compared to Budget | 3 |
| 72 | Schedule of Capital Budget Program Funded by Financing Sources - Current Year | 4 |
| 73 | Schedule of Capital Budget Program Funded by Financing Sources - Prior Year | 5 |
| 74 | Schedule of Revenue and Revenue Refunding Bonds | 6 |
| 81 | Analysis of Accounts Receivable - Sewer Fees | 7 |
| 82 | Roster of Officials and Report on Surety Bonds | 8 |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

TABLE OF CONTENTS

Page

SINGLE AUDIT

| | |
|----|---|
| 83 | Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards |
| 85 | Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal and State Program and Internal Control Over Compliance in Accordance with Uniform Guidance and N.J. OMB Circular 15-08 |
| 88 | Schedule of Expenditures and Federal Awards |
| 89 | Schedule of Expenditures of State Awards |
| 90 | Notes to the Schedule of Expenditures of Federal and State Awards |
| 91 | Schedule of Findings and Questioned Costs |
| 94 | Summary Schedule of Prior Year Findings |
| 95 | General Comments |



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the
Rockaway Valley Regional Sewerage Authority
99 Green Bank Road
Boonton, New Jersey 07005

Report on the Financial Statements

We have audited the accompanying statements of net position of the Rockaway Valley Regional Sewerage Authority as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockaway Valley Regional Sewerage Authority as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of the Authority's proportionate share of the net pension liability, and the Authority's proportionate share of the net OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Honorable Chairperson and Members of the
Rockaway Valley Regional Sewerage Authority
Page 3.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Financial Assistance, as required by Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplemental schedules as listed in the table of contents and the Schedule of Expenditures of Federal Financial Assistance and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Financial Assistance and the Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022 on our consideration of the Rockaway Valley Regional Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rockaway Valley Regional Sewerage Authority's internal control over financial reporting and compliance.

Very truly yours,

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

February 10, 2022



Required Supplementary Information - Part I

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rockaway Valley Regional Sewerage Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended December 31, 2020 and 2019. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$28,978,971 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$30,035,678.

- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$35,521,733 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
 - (2) Restricted of \$103,113 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted of \$(6,645,875) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.

- Total liabilities of the Authority increased by \$1,533,568 to \$38,896,550 during the fiscal year.

Overview of the Financial Statements

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets), the consumption of net assets that is applicable to a future period (deferred outflows of resources), the acquisition of net assets that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Authority's operations over the past year and can be used to determine whether the Authority has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better able to fulfill its mission as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Authority's activities in a way that will help answer this question. These two statements report net position of the Authority and the changes in the position. The reader can think of the Authority's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net position at fiscal year-end is \$28,978,971. This is a \$1,056,707 decrease under last year's net position of \$30,035,678. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position at December 31, 2020
With Comparative Prior Year Balances**

| | <u>FY 2020</u> | <u>FY 2019</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|--------------------|--------------------|--------------------------|---------------------------|
| Current Assets | 18,893,534 | 19,028,681 | (135,147) | (0.71)% |
| Capital Assets | <u>52,289,715</u> | <u>53,748,335</u> | <u>(1,458,620)</u> | (2.71)% |
| Total Assets | <u>71,183,249</u> | <u>72,777,016</u> | <u>(1,593,767)</u> | (2.19)% |
| Deferred Outflows of Resources | <u>3,883,538</u> | <u>1,868,689</u> | <u>2,014,849</u> | 107.82% |
| Long-term Liabilities | 21,546,559 | 20,659,696 | 886,863 | 4.29% |
| Current Liabilities | <u>17,349,991</u> | <u>16,703,286</u> | <u>646,705</u> | 3.87% |
| Total Liabilities | <u>38,896,550</u> | <u>37,362,982</u> | <u>1,533,568</u> | 4.10% |
| Deferred Inflows of Resources | <u>7,191,266</u> | <u>7,247,045</u> | <u>(55,779)</u> | (0.77)% |
| Net Investment in Capital Assets | 35,521,733 | 37,070,395 | (1,548,662) | (4.18)% |
| Restricted | 103,113 | 109,607 | (6,494) | (5.92)% |
| Unrestricted | <u>(6,645,875)</u> | <u>(7,144,324)</u> | <u>498,449</u> | (6.98)% |
| Total Net Position | <u>28,978,971</u> | <u>30,035,678</u> | <u>(1,056,707)</u> | (3.52)% |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative figures in the following table. This comparison has been restated to reflect the changes required by GASB Statement No. 75.

**Condensed Statement of Net Position at December 31, 2019
With Comparative Prior Year Balances**

| | <u>FY 2019</u> | <u>FY 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|----------------------------------|--------------------|--------------------|--------------------------|---------------------------|
| Current Assets | 19,028,681 | 19,922,179 | (893,498) | (4.48)% |
| Capital Assets | <u>53,748,335</u> | <u>52,456,144</u> | <u>1,292,191</u> | 2.46% |
| Total Assets | <u>72,777,016</u> | <u>72,378,323</u> | <u>398,693</u> | 0.55% |
| Deferred Outflows of Resources | <u>1,868,689</u> | <u>2,784,645</u> | <u>(915,956)</u> | (32.89)% |
| Long-term Liabilities | 20,659,696 | 21,133,138 | (473,442) | (2.24)% |
| Current Liabilities | <u>16,703,286</u> | <u>18,184,665</u> | <u>(1,481,379)</u> | (8.15)% |
| Total Liabilities | <u>37,362,982</u> | <u>39,317,803</u> | <u>(1,954,821)</u> | (4.97)% |
| Deferred Inflows of Resources | <u>7,247,045</u> | <u>6,454,551</u> | <u>792,494</u> | 12.28% |
| Net Investment in Capital Assets | 37,070,395 | 37,791,525 | (721,130) | (1.91)% |
| Restricted | 109,607 | 131,779 | (22,172) | (16.83)% |
| Unrestricted | <u>(7,144,324)</u> | <u>(8,532,690)</u> | <u>1,388,366</u> | (16.27)% |
| Total Net Position | <u>30,035,678</u> | <u>29,390,614</u> | <u>645,064</u> | 2.19% |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2020 with Comparative Prior Year Balances**

| | <u>FY 2020</u> | <u>FY 2019</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-----------------------------|-----------------------------|-------------------|--------------------------|---------------------------|
| Operating Revenues | 10,584,359 | 10,205,257 | 379,102 | 3.71% |
| Non-operating Revenues | <u>89,587</u> | <u>143,172</u> | <u>(53,585)</u> | (37.43)% |
| Total Revenues | <u>10,673,946</u> | <u>10,348,429</u> | <u>325,517</u> | 3.15% |
| Depreciation | 3,175,269 | 2,532,430 | 642,839 | 25.38% |
| Other Operating Expenses | 8,217,750 | 6,973,910 | 1,243,840 | 17.84% |
| Other Non-operating Expense | <u>337,634</u> | <u>718,538</u> | <u>(380,904)</u> | (53.01)% |
| Total Expenses | <u>11,730,653</u> | <u>10,224,878</u> | <u>1,505,775</u> | 14.73% |
| Change in Net Position | (1,056,707) | 123,551 | (1,180,258) | (955.28)% |
| Beginning Net Position | 30,035,678 | 29,390,614 | 645,064 | 2.19% |
| Contributed Capital | <u> </u> | <u>521,513</u> | <u>(521,513)</u> | 100.00% |
| Ending Net Position | <u>28,978,971</u> | <u>30,035,678</u> | <u>(1,056,707)</u> | (3.52)% |

The Authority's operating revenues increased by \$379,102 to \$10,584,359 in fiscal year 2020 from \$10,205,257 in 2019. This increase is primarily due to an increase in revenue from service agreements.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative fiscal year figures in the following table. This comparison has been restated to reflect the changes required by GASB Statement No. 75.

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2019 with Comparative Prior Year Balances**

| | <u>FY 2019</u> | <u>FY 2018</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|-----------------------------|-------------------|-------------------|--------------------------|---------------------------|
| Operating Revenues | 10,205,257 | 9,779,348 | 425,909 | 4.36% |
| Non-operating Revenues | <u>143,172</u> | <u>145,537</u> | <u>(2,365)</u> | (1.63)% |
| Total Revenues | <u>10,348,429</u> | <u>9,924,885</u> | <u>423,544</u> | 4.27% |
| Depreciation | 2,532,430 | 2,497,080 | 35,350 | 1.42% |
| Other Operating Expenses | 6,973,910 | 8,070,612 | (1,096,702) | (13.59)% |
| Other Non-operating Expense | <u>718,538</u> | <u>239,769</u> | <u>478,769</u> | 199.68% |
| Total Expenses | <u>10,224,878</u> | <u>10,807,461</u> | <u>(582,583)</u> | (5.39)% |
| Change in Net Position | 123,551 | (882,576) | 1,006,127 | (114.00)% |
| Beginning Net Position | 29,390,614 | 25,407,484 | 3,983,130 | 15.68% |
| Contributed Capital | <u>521,513</u> | <u>4,865,706</u> | <u>(4,344,193)</u> | 100.00% |
| Ending Net Position | <u>30,035,678</u> | <u>29,390,614</u> | <u>645,064</u> | 2.19% |

The Authority's operating revenues increased by \$425,909 to \$10,205,257 in fiscal year 2019 from \$9,779,348 in 2018. This increase is primarily due to an increase in revenue from service agreements.

Budgetary Highlights

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Authority Regulation of the Division of Local Government Services that the cash flows of the Authority for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Budgetary Highlights (Continued)

The following tables provide a budget comparison for FY 2020 and FY 2019:

**Budget vs. Actual
FY 2020**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|-------------------|-------------------|-----------------|
| Revenues: | | | |
| Operating | <u>10,571,735</u> | <u>10,808,794</u> | <u>237,059</u> |
| Expenses: | | | |
| Operating | 8,921,935 | 8,476,999 | 444,936 |
| Non-Operating | <u>1,649,800</u> | <u>1,642,598</u> | <u>7,202</u> |
| | <u>10,571,735</u> | <u>10,119,597</u> | <u>452,138</u> |
| Income before Depreciation | <u>0</u> | <u>689,197</u> | <u>689,197</u> |

**Budget vs. Actual
FY 2019**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|------------------|-------------------|------------------|
| Revenues: | | | |
| Operating | <u>9,961,220</u> | <u>10,391,097</u> | <u>429,877</u> |
| Expenses: | | | |
| Operating | 8,234,920 | 7,196,208 | 1,038,712 |
| Non-Operating | <u>1,726,300</u> | <u>1,634,764</u> | <u>91,536</u> |
| | <u>9,961,220</u> | <u>8,830,972</u> | <u>1,130,248</u> |
| Income before Depreciation | <u>0</u> | <u>1,560,125</u> | <u>1,560,125</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's net property, plant and equipment at fiscal year end was \$52,289,715. This is a \$1,458,620 decrease under last year's net property, plant and equipment of \$53,748,335. A summary of the Authority's capital assets is presented in the following table:

CAPITAL ASSETS

| | <u>FY 2020</u> | <u>FY 2019</u> | <u>Dollar Change</u> |
|--------------------------------|---------------------|---------------------|--------------------------|
| Land | \$859,400 | \$859,400 | 0 |
| Buildings and Interceptors | 100,735,131 | 91,173,929 | 9,561,202 |
| Machinery and Equipment | 12,758,254 | 12,688,822 | 69,432 |
| Less: Accumulated Depreciation | (70,853,371) | (68,069,735) | 2,783,636 |
| Construction in Progress | <u>8,790,301</u> | <u>17,095,919</u> | <u>(8,305,618)</u> |
| | <u>\$52,289,715</u> | <u>\$53,748,335</u> | <u>(1,458,620)</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The Authority's on going capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below.

Sewer

| | |
|--|-------------------------|
| Administrative Capital Projects: | |
| Computer Plotter & Software | \$20,000 |
| File Cabinet/Furniture | 5,000 |
| Security Surveillance | 8,000 |
| Miscellaneous | 8,000 |
| Fireman Home Access Agreement | 20,000 |
| Engineering Capital Projects: | |
| Infrastructure Upgrade w/Elevator | 506,000 |
| Electrical Breakers | 30,000 |
| Building Misc. Upgrade | 23,000 |
| Computer Plotter & Software | 3,500 |
| Interceptor Sewer Rehab | 300,000 |
| Boonton Interceptor relining | 495,000 |
| Asset Management | 65,600 |
| Dog House for Water | 30,000 |
| Emergency Generator & Substation | 470,000 |
| Laboratory Capital Projects: | |
| Laboratory Equipment | 11,000 |
| Operation Capital Projects: | |
| Oxidation Equipment | 118,000 |
| Pumping Equipment | 43,000 |
| Facilities Building Repair - Dog House | 304,000 |
| Miscellaneous Equipment | 118,000 |
| Trunkline Capital Projects: | |
| Trunkline Equipment/Repair w/Odor Control | 155,000 |
| Trunkline Miscellaneous Equipment | 192,500 |
| Environmental Infrastructure Trust Prog-Debt Authorized: | |
| NJEIT-Debt Authorized, Interceptor | 500,000 |
| NJEIT-Debt Authorized Final Clarifiers D & C | 640,000 |
| NJEIT Debt Authorized Phosphorous & Filtration | 14,000,000 |
| NJEIT Debt Authorized Boonton, Denville Inter Reli | 4,950,000 |
| NJEIT Debt Authorized Emergency Generator & Sub | <u>7,530,000</u> |
| Total | <u>\$30,545,600</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Debt Administration

At December 31, 2020, the Authority had outstanding New Jersey Environmental Infrastructure Fund bonds of \$9,298,475 (gross). The debt service schedule has a final maturity in 2031. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules. The Authority also had outstanding \$8,415,635 in temporary financing through the New Jersey Infrastructure Bank ("NJIB").

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Executive Director of the Rockaway Valley Regional Sewerage Authority, 99 Green Bank Road, Boonton, New Jersey 07005.

Financial Statements

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

EXHIBIT A

Page 1 of 3

STATEMENT OF NET POSITION

DECEMBER 31,

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Current Assets: | | |
| <u>Unrestricted:</u> | | |
| Cash and Cash equivalents | \$ 7,970,078 | \$ 7,968,001 |
| Accounts Receivable, net | 8,800,969 | 7,527,650 |
| NJIB Receivable | 432,490 | 386,027 |
| Total Unrestricted Assets | <u>17,203,537</u> | <u>15,881,678</u> |
| <u>Restricted:</u> | | |
| State Unemployment Insurance: | | |
| Cash and Cash equivalents | 103,113 | 109,607 |
| New Jersey Infrastructure Bank: | | |
| NJIB Receivable | 1,586,884 | 3,037,396 |
| Total Restricted Assets | <u>1,689,997</u> | <u>3,147,003</u> |
| Non-Current Assets: | | |
| <u>Capital Assets:</u> | | |
| Land | 859,400 | 859,400 |
| Buildings and Interceptors | 100,735,131 | 91,173,929 |
| Machinery and Equipment | 12,758,254 | 12,688,822 |
| Less: Accumulated Depreciation | (70,853,371) | (68,069,735) |
| Construction in Progress | 8,790,301 | 17,095,919 |
| Total Capital Assets | <u>52,289,715</u> | <u>53,748,335</u> |
| TOTAL ASSETS | <u>\$ 71,183,249</u> | <u>\$ 72,777,016</u> |
| | | |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred Outflows: | | |
| Pension-Related Deferred Outflows | 1,037,521 | 1,616,216 |
| OPEB-Related Deferred Outflows | 2,846,017 | 252,473 |
| Total Deferred Outflows of Resources | <u>\$ 3,883,538</u> | <u>\$ 1,868,689</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

STATEMENT OF NET POSITION

DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| <u>Payable from Unrestricted Assets:</u> | | |
| Accounts Payable | \$ 490,863 | \$ 560,826 |
| Accounts Payable - Pension-Related | 394,275 | 334,750 |
| Accrued Interest on NJIB Bonds | 74,988 | 81,844 |
| Bonds Payable | 1,002,028 | 979,784 |
| Notes Payable | 8,415,635 | 8,415,635 |
| Unearned Revenue | 6,879,096 | 5,921,807 |
| Total Payable from Unrestricted Assets | <u>17,256,885</u> | <u>16,294,646</u> |
| <u>Payable from Restricted Assets:</u> | | |
| Accounts Payable - Construction Fund | <u>93,106</u> | <u>408,640</u> |
| Total Payable from Restricted Assets | <u>93,106</u> | <u>408,640</u> |
| Total Current Liabilities | <u>17,349,991</u> | <u>16,703,286</u> |
| Non-Current Liabilities: | | |
| Bonds Payable | 8,296,447 | 9,298,475 |
| Net Pension Obligation | 5,499,688 | 6,394,960 |
| Net OPEB Obligation | <u>7,750,424</u> | <u>4,966,261</u> |
| Total Non-Current Liabilities | <u>21,546,559</u> | <u>20,659,696</u> |
| TOTAL LIABILITIES | <u>\$ 38,896,550</u> | <u>\$ 37,362,982</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

STATEMENT OF NET POSITION

DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|---|------------------------------------|------------------------------------|
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred Inflows: | | |
| Unamortized Premium on Bonds | \$ 217,431 | \$ 245,892 |
| Pension-Related Deferred Inflows | 2,714,014 | 2,444,306 |
| OPEB-Related Deferred Inflows | 3,929,602 | 4,189,937 |
| Deferred Savings on Refunded Bond | <u>330,219</u> | <u>366,910</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ <u>7,191,266</u> | \$ <u>7,247,045</u> |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | 35,521,733 | 37,070,395 |
| Restricted: | | |
| State Unemployment Insurance | 103,113 | 109,607 |
| Unrestricted: | | |
| Designated | 4,441,670 | 3,974,083 |
| Undesignated | <u>(11,087,545)</u> | <u>(11,118,407)</u> |
| TOTAL NET POSITION | \$ <u><u>28,978,971</u></u> | \$ <u><u>30,035,678</u></u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Operating Revenue: | | |
| Service Agreements | \$ 9,894,485 | \$ 9,437,220 |
| User Charges and Fees | 315,768 | 311,980 |
| Sewer Permits | 7,860 | 15,896 |
| IPP Surcharge/TWA Application Fees | 219,012 | 232,488 |
| Industrial Annual Fees/Industrial User Fines | 39,540 | 69,350 |
| Miscellaneous | 104,705 | 132,092 |
| Interest Income | 2,989 | 6,231 |
| | <u>10,584,359</u> | <u>10,205,257</u> |
| Operating Expenses: | | |
| Cost of Providing Services | 4,526,917 | 3,945,801 |
| Employee Benefits | 1,304,606 | 1,173,471 |
| Administrative and General | 2,386,227 | 1,854,638 |
| Depreciation Expense | 3,175,269 | 2,532,430 |
| | <u>11,393,019</u> | <u>9,506,340</u> |
| Total Operating Revenue | <u>10,584,359</u> | <u>10,205,257</u> |
| Total Operating Expenses | <u>11,393,019</u> | <u>9,506,340</u> |
| Operating Income | <u>(808,660)</u> | <u>698,917</u> |
| Non-Operating Revenue (Expenses): | | |
| Interest on Investments | 24,435 | 85,840 |
| Interest Expense and NJEIT Fees | (212,814) | (268,234) |
| Amortization of Bond Premium | 65,152 | 57,332 |
| Unemployment Expenditures (Net) | (6,494) | (22,172) |
| Loss from Disposal of Assets | (6,313) | (19,919) |
| Debt Service Reserve Credit | (112,013) | (377,242) |
| Cost of Issuance | - | (30,971) |
| | <u>(248,047)</u> | <u>(575,366)</u> |
| Non-Operating Income (Loss) | <u>(248,047)</u> | <u>(575,366)</u> |
| Change In Net Position | <u>(1,056,707)</u> | <u>123,551</u> |
| Net Position - January 1, | <u>30,035,678</u> | <u>29,390,614</u> |
| Contributed Capital | <u>-</u> | <u>521,513</u> |
| Net Position - December 31 | <u>\$ 28,978,971</u> | <u>\$ 30,035,678</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 10,265,340 | \$ 10,477,648 |
| Cash Paid to Vendors and Employees | (8,742,118) | (7,182,882) |
| Interest Received | 2,989 | 6,231 |
| Net Cash Provided by Operating Activities | <u>1,526,211</u> | <u>3,300,997</u> |
| Cash Flow from Investing Activities: | | |
| Interest Received | 24,435 | 85,840 |
| Net Cash Provided by (used in) Investing Activities | <u>24,435</u> | <u>85,840</u> |
| Cash Flow from Financing Activities: | | |
| Capital Expenditures | (1,812,977) | (1,063,482) |
| Interest Paid | (212,814) | (268,234) |
| NJIT Reimbursements Received | 1,450,512 | 521,513 |
| Principal Payment on Bonds | (979,784) | (916,530) |
| Net Cash Used in Financing Activities | <u>(1,555,063)</u> | <u>(1,726,733)</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (4,417) | 1,660,104 |
| Cash and Cash Equivalents at Beginning of Year | <u>8,077,608</u> | <u>6,417,504</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 8,073,191</u> | <u>\$ 8,077,608</u> |
| Classified as: | | |
| Unrestricted Assets | 7,970,078 | 7,968,001 |
| Restricted Assets | 103,113 | 109,607 |
| | <u>8,073,191</u> | <u>8,077,608</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| OPERATING INCOME | \$ (808,660) | \$ 698,917 |
| Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities: | | |
| Depreciation | 3,175,269 | 2,532,430 |
| (Increase) Decrease in Receivables | (1,273,319) | (348,954) |
| Increase (Decrease) in Payables | (69,963) | (169,134) |
| Increase (Decrease) in Pension-Related Activity | (384,689) | 216,428 |
| Increase (Decrease) in OPEB-Related Activity | (69,716) | (256,266) |
| Increase (Decrease) in Unearned Revenues | 957,289 | 627,576 |
| Total Adjustments | <u>2,334,871</u> | <u>2,602,080</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 1,526,211</u> | <u>\$ 3,300,997</u> |

The accompanying "Notes to the Financial Statements" are an integral part of this report.

Notes to Financial Statements

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1. GENERAL

The Rockaway Valley Regional Sewerage Authority (the "Authority") is a public body corporate and politic of the State of New Jersey, governed by ten members appointed by its participant municipalities and the City of Jersey City.

The Authority was created and organized in 1971 under and pursuant to the State Municipal Utilities Authorities Law (P.L. 1957, Chapter 183).

The Rockaway Valley Regional Sewerage Authority was created to operate a wastewater collection and treatment system to serve nine member municipalities (Denville, Randolph, Boonton Township, Town of Boonton, Rockaway Borough, Rockaway Township, Dover, Wharton, and Victory Gardens) in Morris County, New Jersey. The Authority bills and collects its revenue from users of the system, and the City of Jersey City under a stipulation of settlement. The Authority has entered into an agreement with its member municipalities and Jersey City, obligating each municipality to guarantee its proportionate share of the Authority's debt service, to the extent not met by other sources.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unity within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1. GENERAL, (continued)

Component Unit, (continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The financial statements of the Rockaway Valley Regional Sewerage Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

On January 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net position reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Basis of Presentation, (continued)

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt convents), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

B. Basis of Accounting

The Rockaway Valley Regional Sewerage Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

C. Reporting Entity

The Authority’s financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority’s reporting entity, is set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Based on this criteria, the Authority is a legally separate organization and has no component units.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

E. Grants

Contributions received from the U.S. Environmental Protection Agency, U.S. Department of Homeland Security and N.J. Department of Environmental Protection are recorded in the period in which they are awarded.

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

F. Inventories of Materials and Supplies

The cost of inventories, primarily chemicals for the treatment of sewerage and sludge, are recorded as expenditures at the time individual items are purchased, since they are not material to the results of operations and financial position.

G. Unearned Revenue

Unearned revenue arise when assets are recognized before revenue recognition criteria has been satisfied. The Authority's participating municipalities are advancing funds to offset the loss of revenue that the City of Jersey City has been withholding for their portion of the debt service charge. These advances will be either be returned to the participants or realized as revenue when the final disposition of the litigation is resolved (See Note 9 – Jersey City Municipal Utilities Authority, et al., v. Town of Dover, et als.).

H. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost which includes direct construction costs and other expenditures related to construction. Land is stated at approximate fair market value as of the date it was donated to the Authority or at the purchase price if purchased by the Authority.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Property, Plant and Equipment, (continued)

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

| | |
|------------------------------|-------------|
| Building and Improvements | 20-50 Years |
| Sewer Mains and Interceptors | 50 Years |
| Machinery and Equipment | 10-20 Years |
| Furniture and Fixtures | 5 Years |
| Vehicles | 3-10 Years |

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

A summary of the changes in property, plant and equipment at December 31, 2020 and 2019 are as follows:

| | <u>Balance FY 2019</u> | <u>Net Additions</u> | <u>Disposals</u> | <u>Balance FY 2020</u> |
|------------------------------------|----------------------------|--------------------------|--------------------|----------------------------|
| Land | \$859,400 | \$ | \$ | \$859,400 |
| Buildings and Interceptors | 91,173,929 | 9,561,202 | | 100,735,131 |
| Machinery and Equipment | 12,688,822 | 69,432 | | 12,758,254 |
| Construction in Progress | <u>17,095,919</u> | <u>1,694,985</u> | <u>10,000,603</u> | <u>8,790,301</u> |
| | 121,818,070 | 11,325,619 | 10,000,603 | 123,143,086 |
| Less: Accumulated Depreciation | <u>(68,069,735)</u> | <u>(3,175,269)</u> | <u>(361,633)</u> | <u>(70,883,371)</u> |
| Property, Plant and Equipment, Net | <u>\$53,748,335</u> | <u>\$8,150,350</u> | <u>\$9,638,970</u> | <u>\$52,259,715</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. Property, Plant and Equipment, (continued)

| | <u>Balance FY 2018</u> | <u>Net Additions</u> | <u>Disposals</u> | <u>Balance FY 2019</u> |
|------------------------------------|----------------------------|--------------------------|--------------------|----------------------------|
| Land | \$859,400 | \$ | \$ | \$859,400 |
| Buildings and Interceptors | 90,855,230 | 318,699 | | 91,173,929 |
| Machinery and Equipment | 12,970,890 | 814,565 | 1,096,633 | 12,688,822 |
| Construction in Progress | <u>14,384,643</u> | <u>2,711,276</u> | <u>1,096,633</u> | <u>17,095,919</u> |
| | 119,070,163 | 3,844,540 | 1,096,633 | 121,818,070 |
| Less: Accumulated Depreciation | <u>(66,614,019)</u> | <u>(2,532,430)</u> | <u>(1,076,714)</u> | <u>(68,069,735)</u> |
| Property, Plant and Equipment, Net | <u>\$52,456,144</u> | <u>\$1,312,110</u> | <u>\$19,919</u> | <u>\$53,748,335</u> |

I. Restricted and Designated Accounts

State Unemployment Insurance

The Authority is a participant in the New Jersey State Unemployment Fund. The Authority has selected the reimbursement method for payment of unemployment compensation claims. The employer and employee contribute to a restricted fund of the Authority. The State Fund is then reimbursed from the Authority's restricted fund based on actual payments made by the State.

Designated Accounts

The Authority has established the following designated unrestricted accounts:

Capital Replacement Reserve

The Authority established this account in order to provide funds for capital projects to be funded on an ongoing basis.

Renewal and Replacement

Pay for emergency and non-recurring repairs, etc. Holds amounts needed for replacement of assets at the Authority's discretion.

Construction Reserve

The Authority established this account to provide funds for future construction projects.

Debt Service

The Authority established this account to provide funds for future debt service payments.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

J. Unamortized Premium on Bonds

Premiums paid in connection with the Series 2007, 2010, 2012, 2018 and 2019 bond issues are being amortized over the life of the issues.

K. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position, and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

M. Risk of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed policy coverage limits.

N. Sick and Vacation Leave

Authority employees are granted varying amounts of sick leave in accordance with the Authority's personnel policy and union agreements. Any unused sick leave is generally paid in full to the employee at the end of the year and not accumulated into future periods.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

O. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Recent Accounting Pronouncements

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Recent Accounting Pronouncements, (continued)

a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Recent Accounting Pronouncements, (continued)

perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Authority is currently reviewing what effect, if any, this Statement might have on future financial statements.

In October 2021, the Government Accounting Standards Board issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021, though earlier application is encouraged. The Authority has reviewed this Statement and does not believe it will impact future financial reporting.

Q. Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, The Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

As of December 31, 2020, the Authority's cash and cash equivalents are summarized as follows:

| | <u>Money Market/ Checking Accounts</u> | <u>NJ Cash Management Fund</u> | <u>Total</u> |
|--------------|--|--|--------------------|
| Unrestricted | \$7,779,392 | \$190,686 | \$7,970,078 |
| Restricted | <u>103,113</u> | <u> </u> | <u>103,113</u> |
| | <u>\$7,882,505</u> | <u>\$190,686</u> | <u>\$8,073,191</u> |

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribes specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of December 31, 2020, the Authority had \$190,686 on deposit with the New Jersey Cash Management Fund.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

The carrying amount of the Authority's cash and cash equivalents at December 31, 2020 was \$8,073,191 and the bank balance was \$8,317,918. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2020, \$-0- of the Authority's bank balance of \$8,317,918 was exposed to custodial risk.

NOTE 4. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

The Authority issued bonds in 2007, 2010, 2015 and 2018 through the Trust to finance the improvement to the treatment facilities. The proceeds of the Bonds are held by the Trust until the Authority expends funds on the project. The Authority then submits for reimbursement of these expenditures from the Trust. The following is the remaining amount of funds to be received by the Trust:

| | Balance <u>Dec.31,2019</u> | Loans <u>Authorized</u> | Less: Amounts <u>Received</u> | Less: Amounts <u>Cancelled</u> | Balance <u>Dec.31, 2020</u> |
|---------------------------------------|-------------------------------|----------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| Project No. S340756-02 (Interceptor): | | | | | |
| Fund Portion | \$812,622 | \$ | \$98,229 | \$ | \$714,393 |
| Trust Portion | 270,875 | | 32,743 | | 238,132 |
| Project No. S340756-07 (Clarifiers): | | | | | |
| Fund Portion | 1,661,091 | | 954,807 | | 706,284 |
| Trust Portion | 553,697 | | 318,270 | | 235,427 |
| Project No. S340821-06 (Monroe P.S.): | | | | | |
| Fund/Trust Portion | <u>125,138</u> | | | | <u>125,138</u> |
| | <u>\$3,423,423</u> | <u>\$0</u> | <u>\$1,404,049</u> | <u>\$0</u> | <u>\$2,019,374</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 4. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, (continued)

These funds shall be disbursed to the Authority under the terms of its loan agreements with the New Jersey Environmental Infrastructure Trust.

| | <u>Balance Dec.31,2018</u> | <u>Loans Authorized</u> | <u>Less: Amounts Received</u> | <u>Less: Amounts Cancelled</u> | <u>Balance Dec.31, 2019</u> |
|---------------------------------------|--------------------------------|-----------------------------|---------------------------------------|--|---------------------------------|
| Project No. S340756-02 (Interceptor): | | | | | |
| Fund Portion | \$822,944 | \$ | \$10,322 | \$ | \$812,622 |
| Trust Portion | 274,316 | | 3,441 | | 270,875 |
| Project No. S340756-07 (Clarifiers): | | | | | |
| Fund Portion | 3,638,608 | | 1,977,517 | | 1,661,091 |
| Trust Portion | 1,212,869 | | 659,172 | | 553,697 |
| Project No. S340821-06 (Monroe P.S.): | | | | | |
| Fund/Trust Portion | | <u>730,735</u> | <u>605,597</u> | | <u>125,138</u> |
| | <u>\$5,948,737</u> | <u>\$730,735</u> | <u>\$3,256,049</u> | <u>\$</u> | <u>\$3,423,423</u> |

NOTE 5. BONDS PAYABLE

The Authority has issued and has outstanding the following bonds as of December 31, 2020 and 2019.

| | <u>Balance Dec. 31, 2019</u> | <u>Issued</u> | <u>Retirements/ Repayments</u> | <u>Balance Dec. 31, 2020</u> |
|---|----------------------------------|---------------|------------------------------------|----------------------------------|
| Series 2007 NJ Environmental Infrastructure Fund Bonds | \$784,861 | \$ | \$362,439 | \$422,422 |
| Series 2010 NJ Environmental Infrastructure Trust and Fund Bonds | 1,490,236 | | 140,924 | 1,349,312 |
| Series 2012 NJ Environmental Infrastructure Trust and Fund Bonds | 2,163,273 | | 157,356 | 2,005,917 |
| Series 2015 NJ Environmental Infrastructure Trust Bonds | 1,938,000 | | 204,000 | 1,734,000 |
| Series 2018 A-2 NJ Environmental Infrastructure Trust and Fund Bonds | 1,662,927 | | 47,687 | 1,615,240 |
| Series 2019A-1 NJ Environmental Infrastructure Trust and Fund Bonds | <u>2,238,962</u> | | <u>67,378</u> | <u>2,171,584</u> |
| | <u>\$10,278,259</u> | <u>\$0</u> | <u>\$979,784</u> | <u>\$9,298,475</u> |
| Due Within One Year | 979,784 | | | 1,002,028 |
| Long-Term Debt | <u>9,298,475</u> | | | <u>8,296,447</u> |
| | <u>\$10,278,259</u> | | | <u>\$9,298,475</u> |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5. BONDS PAYABLE, (continued)

| | <u>Balance</u> <u>Dec. 31, 2018</u> | <u>Issued</u> | <u>Retirements/ Repayments</u> | <u>Balance</u> <u>Dec. 31, 2019</u> |
|---|--|--------------------|------------------------------------|--|
| Series 2007 NJ Environmental Infrastructure Fund Bonds | \$1,144,401 | \$ | \$359,540 | \$784,861 |
| Series 2010 NJ Environmental Infrastructure Trust and Fund Bonds | 1,631,160 | | 140,924 | 1,490,236 |
| Series 2012 NJ Environmental Infrastructure Trust and Fund Bonds | 2,320,629 | | 157,356 | 2,163,273 |
| Series 2015 NJ Environmental Infrastructure Trust Bonds | 2,130,000 | | 192,000 | 1,938,000 |
| Series 2018 A-2 NJ Environmental Infrastructure Trust and Fund Bonds | 1,691,385 | | 28,458 | 1,662,927 |
| Series 2019A-1 NJ Environmental Infrastructure Trust and Fund Bonds | <u> </u> | <u>2,277,214</u> | <u>38,252</u> | <u>2,238,962</u> |
| | <u>\$8,917,575</u> | <u>\$2,277,214</u> | <u>\$916,530</u> | <u>\$10,278,259</u> |
| Due Within One Year | 878,278 | | | 979,784 |
| Long-Term Debt | <u>8,039,297</u> | | | <u>9,298,475</u> |
| | <u>\$8,917,575</u> | | | <u>\$10,278,259</u> |

Presented below is a summary of debt service requirements to maturity for all permanently financed bonds:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|--------------------|------------------|---------------------|
| 2021 | \$1,002,028 | \$93,271 | \$1,095,299 |
| 2022 | 718,082 | 87,041 | 805,123 |
| 2023 | 677,345 | 80,521 | 757,866 |
| 2024 | 699,344 | 73,502 | 772,846 |
| 2025-2029 | 3,135,723 | 259,117 | 3,394,840 |
| 2030-2034 | 1,060,038 | 130,670 | 1,190,708 |
| 2035-2039 | 675,326 | 92,000 | 767,326 |
| 2040-2044 | 725,327 | 58,500 | 783,827 |
| 2045-2048 | <u>605,262</u> | <u>18,250</u> | <u>623,512</u> |
| | <u>\$9,298,475</u> | <u>\$892,872</u> | <u>\$10,191,347</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5. BONDS PAYABLE, (continued)

Series 2007 NJ Environmental Infrastructure Trust Bonds

On November 8, 2007, the Authority issued \$13,459,315 Series 2007 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for improvements to the treatment facilities. On December 1, 2014, the State of New Jersey Department of Environmental Protection deobligated \$2,104,271 of Fund Principal based on the final project costs. On November 24, 2015, the remaining balance of the Trust portion was deobligated (\$1,903,850) and refunded (\$3,321,150) with the Series 2015A NJEIT Bonds.

Principal and interest due on outstanding 2007A bonds to maturity is as follows:

| | <u>NJEIT SERIES 2007A</u> | |
|-------------|---------------------------|---------------------|
| | <u>Fund Portion</u> | <u>Total</u> |
| <u>Year</u> | <u>Principal</u> | <u>Debt Service</u> |
| 2021 | \$361,683 | \$361,683 |
| 2022 | 60,738 | 60,738 |
| | <u>\$422,421</u> | <u>\$422,421</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5. BONDS PAYABLE, (continued)

Series 2010 NJ Environmental Infrastructure Trust Bonds

On March 10, 2010, the Authority issued \$2,817,500 Series 2010 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for improvements to the treatment facilities. On January 17, 2017, these bonds were internally refunded by the New Jersey Environmental Infrastructure Trust, resulting in a savings of \$26,000 in principal and \$13,141 in interest.

Principal and interest due on outstanding 2010A bonds to maturity is as follows:

| <u>Year</u> | <u>NJEIT SERIES 2010A</u> | | | |
|-------------|---------------------------|-----------------|---------------------|---------------------|
| | <u>Trust Portion</u> | | <u>Fund Portion</u> | <u>Total</u> |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Debt Service</u> |
| 2021 | \$37,000 | \$15,120 | \$107,924 | \$160,044 |
| 2022 | 38,000 | 13,640 | 107,924 | 159,564 |
| 2023 | 38,000 | 12,120 | 107,924 | 158,044 |
| 2024 | 43,000 | 10,600 | 107,924 | 161,524 |
| 2025 | 43,000 | 8,880 | 107,924 | 159,804 |
| 2026 | 42,000 | 7,160 | 107,924 | 157,084 |
| 2027 | 43,000 | 5,480 | 107,924 | 156,404 |
| 2028 | 47,000 | 3,760 | 107,924 | 158,684 |
| 2029 | 47,000 | 1,881 | 107,923 | 156,804 |
| | <u>\$378,000</u> | <u>\$78,641</u> | <u>\$971,313</u> | <u>\$1,427,954</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5. BONDS PAYABLE, (continued)

Series 2012 NJ Environmental Infrastructure Trust Bonds

On May 3, 2012, the Authority issued \$3,165,646 Series 2012 Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used for replacing existing screenings removal and grit removal equipment, installing cover channels, providing odor control systems, installing new HVAC system, installing motorized operators on influent sluice gates, replacing all gas detection and oxygen monitoring instrumentation, replacing existing temporary truck dewatering pad with permanent structure, and replacing corroded piping.

Principal and interest due on outstanding 2020 bonds to maturity is as follows:

| <u>Year</u> | <u>NJEIT SERIES 2012</u> | | | | |
|-------------|--------------------------|------------------|---------------------|---------------------|--------------------|
| | <u>Trust Portion</u> | | <u>Fund Portion</u> | | <u>Total</u> |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Debt Service</u> | |
| 2021 | \$75,000 | \$42,276 | \$87,356 | | \$204,632 |
| 2022 | 80,000 | 38,526 | 87,356 | | 205,882 |
| 2023 | 85,000 | 34,526 | 87,356 | | 206,882 |
| 2024 | 90,000 | 30,277 | 87,356 | | 207,633 |
| 2025 | 90,000 | 25,776 | 87,356 | | 203,132 |
| 2026 | 95,000 | 21,276 | 87,356 | | 203,632 |
| 2027 | 100,000 | 16,526 | 87,356 | | 203,882 |
| 2028 | 105,000 | 13,527 | 87,356 | | 205,883 |
| 2029 | 105,000 | 10,376 | 87,356 | | 202,732 |
| 2030 | 110,000 | 7,095 | 87,356 | | 204,451 |
| 2031 | 110,000 | 3,575 | 87,357 | | 200,932 |
| | <u>\$1,045,000</u> | <u>\$243,756</u> | <u>\$960,917</u> | | <u>\$2,249,673</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5. BONDS PAYABLE, (continued)

Series 2015 NJ Environmental Infrastructure Trust Bonds

On November 24, 2015, the Authority issued \$2,824,000 Series 2015 Subordinate Refunding Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds are being used to refund outstanding trust principal of the Series 2007A NJEIT bonds.

Principal and interest due on outstanding 2018 bonds to maturity is as follows:

| | <u>NJEIT SERIES 2015</u> | |
|-------------|--------------------------|---------------------|
| | <u>Fund Portion</u> | <u>Total</u> |
| <u>Year</u> | <u>Principal</u> | <u>Debt Service</u> |
| 2021 | \$213,000 | \$213,000 |
| 2022 | 224,000 | 224,000 |
| 2023 | 234,000 | 234,000 |
| 2024 | 246,000 | 246,000 |
| 2025 | 260,000 | 260,000 |
| 2026 | 271,000 | 271,000 |
| 2027 | <u>286,000</u> | <u>286,000</u> |
| | <u>\$1,734,000</u> | <u>\$1,734,000</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5. BONDS PAYABLE, (continued)

Series 2018 A-2 NJ Environmental Infrastructure Bank Trust Bonds

On November 29, 2018, the Authority issued \$1,691,385 Series 2018 A-2 Subordinate Bonds through the New Jersey Environmental Trust Program. These bonds are being used for improvements to the treatment facilities:

Principal and interest due on outstanding 2018 A-2 bonds to maturity is as follows:

| Year | <u>NJEIT SERIES 2018A-2</u> | | | | |
|------|-----------------------------|------------------|---------------------|---------------------|--------------|
| | <u>Trust Portion</u> | | <u>Fund Portion</u> | | <u>Total</u> |
| | <u>Principal</u> | <u>Trust</u> | <u>Principal</u> | <u>Debt Service</u> | |
| 2021 | \$10,000 | \$17,500 | \$42,687 | \$70,187 | |
| 2022 | 10,000 | 17,000 | 42,687 | 69,687 | |
| 2023 | 10,000 | 16,500 | 42,687 | 69,187 | |
| 2024 | 10,000 | 16,000 | 42,687 | 68,687 | |
| 2025 | 10,000 | 15,500 | 42,687 | 68,187 | |
| 2026 | 10,000 | 15,000 | 42,687 | 67,687 | |
| 2027 | 10,000 | 14,500 | 42,687 | 67,187 | |
| 2028 | 10,000 | 14,000 | 42,687 | 66,687 | |
| 2029 | 10,000 | 13,600 | 42,687 | 66,287 | |
| 2030 | 10,000 | 13,200 | 42,688 | 65,888 | |
| 2031 | 10,000 | 12,800 | 42,687 | 65,487 | |
| 2032 | 15,000 | 12,400 | 42,687 | 70,087 | |
| 2033 | 15,000 | 11,800 | 42,687 | 69,487 | |
| 2034 | 15,000 | 11,200 | 42,687 | 68,887 | |
| 2035 | 15,000 | 10,600 | 42,687 | 68,287 | |
| 2036 | 15,000 | 10,000 | 42,687 | 67,687 | |
| 2037 | 15,000 | 9,400 | 42,688 | 67,088 | |
| 2038 | 15,000 | 8,800 | 42,687 | 66,487 | |
| 2039 | 15,000 | 8,200 | 42,687 | 65,887 | |
| 2040 | 20,000 | 7,600 | 42,687 | 70,287 | |
| 2041 | 20,000 | 6,800 | 42,687 | 69,487 | |
| 2042 | 20,000 | 6,000 | 42,687 | 68,687 | |
| 2043 | 20,000 | 5,200 | 42,688 | 67,888 | |
| 2044 | 20,000 | 4,400 | 42,687 | 67,087 | |
| 2045 | 20,000 | 3,600 | 42,687 | 66,287 | |
| 2046 | 20,000 | 2,800 | 42,687 | 65,487 | |
| 2047 | 25,000 | 2,000 | 42,687 | 69,687 | |
| 2048 | 25,000 | 1,000 | 42,688 | 68,688 | |
| | <u>\$420,000</u> | <u>\$287,400</u> | <u>\$1,195,240</u> | <u>\$1,902,640</u> | |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5. BONDS PAYABLE, (continued)

Series 2019 A-1 NJ Environmental Infrastructure Bank Trust Bonds

On May 23, 2019, the Authority issued \$2,277,214 Series 2019 A-1 Subordinate Bonds through the New Jersey Environmental Trust Program. These bonds are being used for improvements to the treatment facilities:

Principal and interest due on outstanding 2019 A-1 bonds to maturity is as follows:

| Year | <u>NJEIT SERIES 2019 A-1</u> | | | | |
|------|------------------------------|------------------|---------------------|---------------------|--------------------|
| | <u>Trust Portion</u> | | <u>Fund Portion</u> | | <u>Total</u> |
| | <u>Principal</u> | <u>Trust</u> | <u>Principal</u> | <u>Debt Service</u> | |
| 2021 | \$10,000 | \$18,375 | \$57,378 | | \$85,753 |
| 2022 | 10,000 | 17,875 | 57,378 | | 85,253 |
| 2023 | 15,000 | 17,375 | 57,378 | | 89,753 |
| 2024 | 15,000 | 16,625 | 57,378 | | 89,003 |
| 2025 | 15,000 | 15,875 | 57,378 | | 88,253 |
| 2026 | 15,000 | 15,125 | 57,378 | | 87,503 |
| 2027 | 15,000 | 14,375 | 57,378 | | 86,753 |
| 2028 | 15,000 | 13,625 | 57,378 | | 86,003 |
| 2029 | 15,000 | 12,875 | 57,378 | | 85,253 |
| 2030 | 20,000 | 12,575 | 57,378 | | 89,953 |
| 2031 | 20,000 | 12,175 | 57,378 | | 89,553 |
| 2032 | 20,000 | 11,750 | 57,378 | | 89,128 |
| 2033 | 20,000 | 11,300 | 57,378 | | 88,678 |
| 2034 | 20,000 | 10,800 | 57,378 | | 88,178 |
| 2035 | 20,000 | 10,200 | 57,378 | | 87,578 |
| 2036 | 20,000 | 9,600 | 57,378 | | 86,978 |
| 2037 | 20,000 | 9,000 | 57,378 | | 86,378 |
| 2038 | 20,000 | 8,400 | 57,378 | | 85,778 |
| 2039 | 20,000 | 7,800 | 57,378 | | 85,178 |
| 2040 | 25,000 | 7,200 | 57,378 | | 89,578 |
| 2041 | 25,000 | 6,450 | 57,378 | | 88,828 |
| 2042 | 25,000 | 5,700 | 57,378 | | 88,078 |
| 2043 | 25,000 | 4,950 | 57,378 | | 87,328 |
| 2044 | 25,000 | 4,200 | 57,378 | | 86,578 |
| 2045 | 25,000 | 3,450 | 57,378 | | 85,828 |
| 2046 | 30,000 | 2,700 | 57,378 | | 90,078 |
| 2047 | 30,000 | 1,800 | 57,378 | | 89,178 |
| 2048 | 30,000 | 900 | 57,378 | | 88,278 |
| | <u>\$565,000</u> | <u>\$283,075</u> | <u>\$1,606,584</u> | | <u>\$2,454,659</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 6. NOTES PAYABLE

The Authority has issued and has outstanding the following notes as of December 31, 2020 and 2019:

| | <u>Balance Dec. 31, 2019</u> | <u>Issued</u> | <u>Retirements/ Repayments</u> | <u>Balance Dec. 31, 2020</u> |
|--|----------------------------------|-------------------|------------------------------------|----------------------------------|
| Series 2017 Notes (NJIB) - Clarifiers | \$7,409,900 | \$ | \$ | \$7,409,900 |
| Series 2019 Notes (NJIB) - Morris Avenue | 730,735 | | | 730,735 |
| Series 2019 Project Note - Township of East Brunswick | <u>275,000</u> | <u> </u> | <u> </u> | <u>275,000</u> |
| | <u>\$8,415,635</u> | <u>\$0</u> | <u>\$0</u> | <u>\$8,415,635</u> |
| Due Within One Year Long-Term Debt | <u>8,415,635</u> | | | <u>8,415,635</u> |
| | <u>\$8,415,635</u> | | | <u>\$8,415,635</u> |

| | <u>Balance Dec. 31, 2018</u> | <u>Issued</u> | <u>Retirements/ Repayments</u> | <u>Balance Dec. 31, 2019</u> |
|--|----------------------------------|--------------------|------------------------------------|----------------------------------|
| Series 2016 Notes (NJIB) - Monroe Street | \$2,965,107 | \$ | \$2,965,107 | \$0 |
| Series 2017 Notes (NJIB) - Clarifiers | 7,409,900 | | | 7,409,900 |
| Series 2019 Notes (NJIB) - Morris Avenue | | 730,735 | | 730,735 |
| Series 2019 Project Note - Township of East Brunswick | <u> </u> | <u>275,000</u> | <u> </u> | <u>275,000</u> |
| | <u>\$10,375,007</u> | <u>\$1,005,735</u> | <u>\$2,965,107</u> | <u>\$8,415,635</u> |
| Due Within One Year Long-Term Debt | <u>10,375,007</u> | | | <u>8,415,635</u> |
| | <u>\$10,375,007</u> | | | <u>\$8,415,635</u> |

A description of these outstanding notes is as follows:

2017 Financing Trust Loan Program

The Authority was also granted temporary financing from the New Jersey Infrastructure Bank in the amount of \$7,409,900. This loan will be refunded in 2018 with long-term bonds issued by the NJIB. This loan has an interest rate of 0.50% on the trust portion and 0.0% on the fund portion and matures on December 31, 2021.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 6. NOTES PAYABLE

2019 Financing Trust Loan Program

The Authority was also granted temporary financing from the New Jersey Infrastructure Bank in the amount of \$730,073. This loan will be refunded in 2019 with long-term bonds issued by the NJIB. This loan has an interest rate of 0.00% on the trust portion and 0.00% on the fund portion and matures on June 30, 2022. The Authority also received temporary financing from the Township of East Brunswick in the amount of \$275,000. This loan has an interest rate of 2.795% and matures on June 1, 2021.

NOTE 7. PENSION PLAN

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

| <u>Tier</u> | <u>Definition</u> |
|-------------|--|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 7. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS), (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 7.5% for PERS. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

| <u>Three Year Trend Information for PERS</u> | | |
|---|--------------------------|---------------------------|
| <u>Year</u> | <u>Annual</u> | <u>Percentage</u> |
| <u>Funding</u> | <u>Pension</u> | <u>of APC</u> |
| | <u>Cost (APC)</u> | <u>Contributed</u> |
| 12/31/20 | \$345,278 | 100% |
| 12/31/19 | 356,724 | 100% |
| 12/31/18 | 335,690 | 100% |

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At December 31, 2020 and 2019, the Authority reported a liability of \$5,499,688 and \$6,394,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020, the Authority's proportion was 0.03372514 percent, which was a decrease of 0.0017659765 percent from its proportion measured as of June 30, 2019.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2020, the Authority recognized pension expense of \$259,713. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Deferred Outflows of Resources: | | |
| Changes of assumptions | \$366,400 | \$638,560 |
| Net difference between projected and actual earnings on pension plan investments | 100,140 | 114,781 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 176,706 | 406,245 |
| Deferred pension adjustments | | 121,880 |
| Authority contributions subsequent to the measurement date | <u>394,275</u> | <u>334,750</u> |
| Total | <u>\$1,037,521</u> | <u>\$1,616,216</u> |

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Deferred Outflows of Resources: | | |
| Net difference between projected and actual earnings on pension plan investments | \$2,322,220 | \$2,247,921 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | <u>391,794</u> | <u>196,385</u> |
| Total | <u>\$2,714,014</u> | <u>\$2,444,306</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

The \$394,275 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2020, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>Dec. 31, 2020</u> | <u>Dec. 31, 2019</u> |
|-------------|----------------------|----------------------|
| Year ended: | | |
| 2020 | \$(690,110) | \$(184,657) |
| 2021 | (629,171) | (599,025) |
| 2022 | (359,555) | (534,894) |
| 2023 | (145,398) | (251,160) |
| 2024 | (31,447) | (25,789) |
| 2025 | | |

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at December 31, 2020 and December 31, 2019 are as follows:

| | <u>Dec. 31, 2020</u> | <u>Dec. 31, 2019</u> |
|---|----------------------|----------------------|
| Collective deferred outflows of resources | \$2,347,583,337 | \$3,149,522,616 |
| Collective deferred inflows of resources | 7,849,949,467 | 7,645,087,574 |
| Collective net pension liability | 16,435,616,426 | 18,018,482,972 |
| Authority's Proportion | 0.03372514% | 0.03549111% |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

| | |
|---------------------------|--|
| Inflation Rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary Increases: | |
| Through 2026 | 2.00-6.00% (based on years of service) |
| Thereafter | 3.00-7.00% (based on years of service) |
| Investment Rate of Return | 7.00 Percent |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2019. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non- Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2020.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|--------------------------|---|
| U.S. Equity | 27.00% | 7.71% |
| Non-U.S. Developed Market Equity | 13.50% | 8.57% |
| Emerging Market Equity | 5.50% | 10.23% |
| Private Equity | 13.00% | 11.42% |
| Real Assets | 3.00% | 9.73% |
| Real Estate | 8.00% | 9.56% |
| High Yield | 2.00% | 5.95% |
| Private Credit | 8.00% | 7.59% |
| Investment Grade Credit | 8.00% | 2.67% |
| Cash Equivalents | 4.00% | 0.50% |
| U.S. Treasuries | 5.00% | 1.94% |
| Risk Mitigation Strategies | 3.00% | 3.40% |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2020 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1 -percentage-point higher than the current rate:

| | June 30, 2020 | | |
|---|--------------------------------|---|--------------------------------|
| | 1% Decrease <u>6.00%</u> | At Current Discount Rate <u>7.00%</u> | 1% Increase <u>8.00%</u> |
| Authority's proportionate share of the pension liability | \$6,977,630 | \$5,499,688 | \$4,325,556 |
| | June 30, 2019 | | |
| | 1% Decrease <u>5.28%</u> | At Current Discount Rate <u>6.28%</u> | 1% Increase <u>7.28%</u> |
| Authority's proportionate share of the pension liability | \$8,134,070 | \$6,394,960 | \$5,011,490 |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.nj.gov/treasury/pensions.

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On May 13, 2010, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999. It is effective on the 1st day of July, 2010.

Chapter 48, P.L. 1999, provides eligible participating local employers considerable flexibility in managing their postretirement medical costs. It also brings State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) eligibility standards for employer-paid coverage into alignment with local government laws.

Adoption of this Resolution does not free RVRSA of the obligation to pay for postretirement medical benefits of retirees or employees who qualified for those payments under any Chapter 88 or Chapter 48 Resolution previously adopted by the governing body.

The Resolution will remain in effect until properly amended or revoked with the State Health Benefits Program. RVRSA recognizes that, while it remains in the State Health Benefits Program, it is responsible for providing the payment for postretirement medical coverage as listed in the Chapter 48 Resolution Addendum for all employees who qualify for this coverage while this Resolution is in force.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provides they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total OPEB Liability

At December 31, 2020 and 2019, the Authority had a liability of \$7,750,424 and \$4,966,261, respectively, for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability for 2019 was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers a in the plan. At June 30, 2020 the Authority's proportion was 0.043186 percent.

For the years ended December 31, 2020 and 2019, the Authority recognized OPEB (benefit) expense of \$125,469 and \$(166,972), respectively. At December 31, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| Deferred Outflows of Resources: | | |
| Net difference between projected and actual earnings | | |
| on pension plan investments | \$204,140 | \$4,091 |
| Changes of assumptions | 1,159,220 | |
| Changes in proportion and differences between the | | |
| Authority's contributions and proportionate share | | |
| of contributions | <u>1,482,657</u> | <u>248,382</u> |
| Total | <u>\$2,846,017</u> | <u>\$252,473</u> |
| | <u>2020</u> | <u>2019</u> |
| Deferred Inflows of Resources: | | |
| Changes of assumptions | | \$1,759,932 |
| Net difference between projected and actual earnings | 1,723,575 | |
| on pension plan investments | | 1,452,328 |
| Deferred OPEB adjustments | 1,443,274 | 53,787 |
| Changes in proportion and differences between the | | |
| Authority's contributions and proportionate share of | | |
| contributions | <u>762,753</u> | <u>923,890</u> |
| Total | <u>\$3,929,602</u> | <u>\$4,189,937</u> |

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------|-------------|-------------|
| Year ended June 30: | | |
| 2020 | | (522,507) |
| 2021 | (416,624) | (522,507) |
| 2022 | (417,002) | (522,828) |
| 2023 | (417,612) | (523,346) |
| 2024 | (418,170) | (523,820) |
| 2025 | (285,139) | |
| Thereafter | 155,981 | (593,160) |

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 7.87, 8.05 and 8.14 years for 2020, 2019 and 2018 amounts, respectively.

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which rolled forward to June 30, 2020. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Actual Assumptions and Other Inputs, (continued)

| | |
|---|--|
| Inflation rate | 2.50% |
| Salary increases*: | |
| Public Employees' Retirement System (PERS) | |
| Initial fiscal year applied | |
| Rate through 2026 | 2.00% to 6.00% |
| Rate thereafter | 3.00% to 7.00% |
| Police and Firemen's Retirement System (PFRS) | |
| Rate for all future years | 3.25% to 15.25% |
| Mortality: | |
| PERS | Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020 |
| PFRS | Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020 |

* Salary increases are based on years of service within the respective plan.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected.. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2020 and 2019 was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

| | June 30, 2020 | | |
|--|----------------|-----------------------------|----------------|
| | 1% Decrease | At Current Discount Rate | 1% Increase |
| | <u>1.21%</u> | <u>2.21%</u> | <u>3.21%</u> |
| Authority's proportionate share of Net OPEB liability | \$9,162,639 | \$7,750,424 | \$6,632,528 |
| | June 30, 2019 | | |
| | 1% Decrease | At Current Discount Rate | 1% Increase |
| | <u>2.50%</u> | <u>3.50%</u> | <u>4.50%</u> |
| Authority's proportionate share of Net OPEB liability | \$5,742,261 | \$4,966,261 | \$4,335,658 |

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

| | June 30, 2020 | | |
|--|----------------|-------------------------------|----------------|
| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
| Authority's proportionate share of Net OPEB liability | \$6,413,485 | \$7,750,424 | \$9,501,166 |
| | June 30, 2019 | | |
| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
| Authority's proportionate share of Net OPEB liability | \$4,190,912 | \$4,966,261 | \$5,955,348 |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Various legal actions, proceedings and claims are pending or may be instituted or asserted against the Authority. They are as follows:

Jersey City Municipal Utilities Authority, et al., v. Town of Dover, et als., Docket No. HUD-L-0131-10. As a member of the RVRSA, the City of Jersey City ("City") shares a portion of the RVRSA's capital and operating costs and is billed together with the RVRSA's members. The City's participation in the RVRSA's construction program and operations dates back to a Stipulation of Settlement approved by Order of the Chancery Division of the Superior Court of New Jersey, Hudson County, Docket No. C658-68, July 1971 (City of Jersey City vs. Town of Dover, et. al.) (the "Stipulation of Settlement"), which provided that the City would, among other things, transfer to the RVRSA all rights and title to its wastewater treatment plant located in Parsippany and its trunkline utilized for sewage transmission and pay a share of the cost of the RVRSA's capital improvement program, all in accordance with the formula set forth in the Stipulation of Settlement. The formula for determining the amount due to the RVRSA from the City is based upon sewage flow and system capacity. On July 27, 1984, an Amendment to the Stipulation of Settlement (the "Amendment") was accepted by the Superior Court in full settlement of litigation which was reinstated by Jersey City in 1981. The Amendment reduced the City's capital share of project costs for Segment I of the new treatment plant by the total sum of \$500,000. The City's financial obligation to pay a percentage share of the system's operations and maintenance costs, and capital expenses for all the RVRSA's construction projects has been reaffirmed. The Amendment foreclosed the City from challenging the terms of the Stipulation of Settlement or its Amendment in the future and provided for the dismissal of the litigation with prejudice.

Notwithstanding the provisions of the Amendment which bars future challenges to the terms of the Stipulation Agreement, on January 7, 2010, the City (and Jersey City MUA) filed a Complaint in the Superior Court against the RVRSA and the other RVRSA member municipalities entitled Jersey City Municipal Utilities Authority and City of Jersey City v. Town of Dover, et als., MRS-L-1313-10. The complaint, as amended, includes 4 counts: (1) "declaratory judgment regarding capital costs", (2) "declaratory judgment voiding the 1984 settlement agreement"; (3) "damages for incorrect assessment of capital costs"; and (4) "declaratory judgment that plaintiffs' obligation to pay operating, repair and maintenance costs is terminated". In this lawsuit Plaintiffs ask the Superior Court for a judgment: (a) interlocutorily and permanently prohibiting RVRSA from assessing any additional capital or O&M costs to Plaintiffs; (b) declaring that Plaintiff's obligation to RVRSA for the capital costs associated with the RVRSA Interceptor and New Treatment Plant shall cease when the debt incurred to pay for the construction of those facilities is fully repaid in December 2009; (c) declaring the 1984 Settlement prospectively void or, alternatively, that the 1984 Settlement be reformed in an equitable manner; (d) awarding compensatory damages to Plaintiffs; (e) awarding interest, costs and attorneys' fees to Plaintiffs; (f) declaring that Plaintiff's obligation to RVRSA for

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES, (continued)

O&M costs associated with the “project” (i.e., the RVRSA interceptor and new treatment facilities constructed pursuant to the settlement agreement) is terminated; and (g) awarding such other and further relief as the Court deems just and equitable. The Authority and Municipalities located in Morris County are vigorously defending the litigation.

On August 18, 2014, the Court filed a Partial Summary Judgment Order dismissing the Second Count of Jersey City’s Complaint (which sought a declaratory judgment voiding the Amendment) “to the extent that it includes rights or claims that were or could have been raised at the time of the 1984 Settlement Agreement.” In the Statement of Reasons accompanying the Court’s Partial Summary Judgment Order, the Court concluded that “the 1984 Settlement Agreement is still valid,” and that the waiver and release provisions of the 1984 Settlement Agreement bar Jersey City from “any further litigation on issues it raised or could have raised in 1984.”

Trial concluded in June 2018. On October 31, 2018, the court filed an order entering partial judgment in favor of RVRSA, which provides that (1) “Plaintiffs are responsible for their proportional share of such projects that involve repair, operation, maintenance, or unkeep...”; (2) “Plaintiffs’ proportional share of costs, as set forth in Paragraph 6(c) of the 1984 Stipulation, shall be guided by the definitions in the attached Statement of Reasons;” (3) “Plaintiffs breached the agreement with the RVRSA by withholding contributions to continued operation, repair and maintenance since January 2010. To the extent, if any, RVRSA assessed impermissible costs under the definitions provided in the attached Statement of Reasons, those costs shall offset damages, if any, arising from the breach;” and (4) “A trial shall be scheduled fr the bifurcated issue of damages.”

The trial on the bifurcated issue of damages has been concluded. Thereafter the Court granted Plaintiff’s motion to dismiss the damage claims submitted by RVRSA for certain projects for the period commencing on January 1, 2010 and ending on June 6, 2018. The amount of damages claimed by RVRSA for such period is less than \$5,000,000. RVRSA intends to appeal the Judgement dismissing such damage claims, to the Appellate Division of the Superior Court of New Jersey.

Even in the unlikely event that the Plaintiffs are successful in this litigation, there is not expected to be any material financial impact on the financial condition of the RVRSA due to the fact that the payments now made by the Jersey City parties, will instead become the responsibility of the participant municipalities.

NOTE 10. RISK MANAGEMENT

The Rockaway Valley Regional Sewerage Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 10. RISK MANAGEMENT, (continued)

Property and Liability Insurance

The Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability and Worker's Compensation Insurance. The Authority continues to carry Public Officials Liability and Public Employee Dishonesty insurance through outside policies.

New Jersey Unemployment Compensation Insurance

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority's expendable trust fund for the current and prior year:

| <u>Fiscal Year</u> | Employee Contributions/ Interest Earnings/ Authority <u>Contributions</u> | Amount <u>Reimbursed</u> | Ending <u>Balance</u> |
|------------------------|---|-----------------------------|--------------------------|
| 2020 | \$3,704 | \$10,198 | \$103,113 |
| 2019 | 7,958 | 30,130 | 109,607 |
| 2018 | 3,354 | 13,807 | 131,779 |

NOTE 11. DEFERRED COMPENSATION PLAN

Employees of the Rockaway Valley Regional Sewerage Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 12. DESIGNATION OF UNRESTRICTED NET ASSETS

The Authority maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------------|------------------------|
| Designated for Renewal and Replacement | \$1,946,623 | \$1,746,623 |
| Designated for Subsequent Year's Budget | 1,960,600 | 1,831,000 |
| Designated for Capital Replacements | 23,702 | 23,702 |
| Designated for Debt Service | <u>510,745</u> | <u>372,758</u> |
| Total Designated - Unrestricted | <u>\$4,441,670</u> | <u>\$3,974,083</u> |

At December 31, 2020, the Authority reported a total amount of \$4,441,670 of Unrestricted Net Position - Designated for the purposes described above.

The remaining, undesignated portion of the Authority's net position was comprised of the following at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-----------------------|-----------------------|
| Pension Related | (\$7,570,456) | (\$7,557,800) |
| OPEB related | (8,834,009) | (8,903,725) |
| Available for Use in Future Budgets | <u>5,316,920</u> | <u>5,343,118</u> |
| | <u>(\$11,087,545)</u> | <u>(\$11,118,407)</u> |

NOTE 13. OTHER MATTERS

At December 31, 2020, the Authority had an accounts receivable balance of \$8,800,969, of which \$8,519,498 was under dispute by Jersey City. Included in this balance is a \$489,255 debt service credit which was applied against Jersey City's obligation during the 2020 fiscal year. The Authority has not consented to any change in the obligation of Jersey City as further detailed in Note 9. There has been no allowance for doubtful accounts set aside for this dispute.

The Authority has been collecting from the remaining participating municipalities a partial amount in dispute by the City of Jersey City. These advanced payments in the amount of \$6,879,096 have been recorded on the Authority's financial statements as unearned revenue until such time as the litigation is concluded. Depending on the outcome of the litigation, the unearned revenue will either be refunded to the municipalities or used to offset the loss in revenues from the uncollected receivable balance. Any difference between the unearned revenue and amount under dispute will be billed to the participants upon final judgment.

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 13. OTHER MATTERS, (continued)

On March 9, 2020, Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma among many of the ratepayers in the municipalities serviced by the Rockaway Valley Regional Sewerage Authority. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of participant charges and cash flow shortages as the result of these delayed collection. The Authority will continue to monitor the situation closely.

NOTE 14. SUBSEQUENT EVENTS

In 2021, the Authority's Series 2017 Notes (Clarifiers) were permanently financed through the New Jersey Infrastructure Bank.

The Rockaway Valley Regional Sewerage Authority has evaluated subsequent events through February 10, 2022, the date which the financial statements were available to be issued and no other items were noted for disclosure.

Required Supplementary Information - Part II

SCHEDULE RSI-1

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

| | Measurement Date Ending June 30. | | | | | | |
|--|----------------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Authority's Proportion of the Net Pension Liability | 0.03372514% | 0.03549111% | 0.03579454% | 0.0360689176% | 0.0331354945% | 0.0329396910% | 0.0299791756% |
| Authority's Proportionate Share of the Net Pension Liability | \$5,499,688 | \$6,394,960 | \$7,047,766 | \$8,396,267 | \$9,813,783 | \$7,394,301 | \$5,612,922 |
| Authority's Covered-Employee Payroll | \$2,544,088 | \$2,472,037 | \$2,469,867 | \$2,461,801 | \$2,299,977 | \$2,227,867 | \$2,264,747 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 216.18% | 258.69% | 285.35% | 341.06% | 426.69% | 331.90% | 247.84% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SCHEDULE RSI-2

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Seven Fiscal Years

| | Fiscal Year Ended December 31, | | | | | | |
|---|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contribution | \$345,728 | \$356,724 | \$335,690 | \$334,140 | \$294,317 | \$247,144 | \$206,201 |
| Contributions in Relation to the Contractually Required Contribution | <u>(345,728)</u> | <u>(356,724)</u> | <u>(335,690)</u> | <u>(334,140)</u> | <u>(294,317)</u> | <u>(247,144)</u> | <u>(206,201)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered-Employee Payroll | \$2,544,088 | \$2,472,037 | \$2,469,867 | \$2,461,801 | \$2,299,977 | \$2,227,867 | \$2,264,747 |
| Contributions as a Percentage of Authority's Covered-Employee Payroll | 13.58% | 14.43% | 13.59% | 13.57% | 12.80% | 11.09% | 9.10% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SCHEDULE RSI-3

**ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of Changes in the Authority's Proportionate
Share of the State OPEB Liability
Last Four Fiscal Years**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability: | | | | |
| Service Cost | \$261,685 | \$244,380 | \$346,162 | \$395,706 |
| Interest | 214,826 | 233,201 | 295,119 | 241,032 |
| Changes of Assumptions | 1,327,956 | (599,702) | (893,852) | (961,956) |
| Difference Between Expected and Actual Experience | 234,302 | (513,937) | (1,400,655) | |
| Benefit Payments | (201,341) | (172,377) | (162,847) | (155,189) |
| Contributions - Members | 16,215 | 15,856 | 20,852 | 19,919 |
| Change in Allocation | <u>901,566</u> | <u>(313,550)</u> | <u>299,534</u> | <u>(854,377)</u> |
| Net Change in Total OPEB Liability | 2,755,209 | (1,106,129) | (1,495,687) | (1,314,865) |
| Total OPEB Liability - Beginning | <u>5,066,413</u> | <u>6,172,542</u> | <u>7,668,229</u> | <u>8,983,094</u> |
| Total OPEB Liability - Ending | <u>\$7,821,622</u> | <u>\$5,066,413</u> | <u>\$6,172,542</u> | <u>\$7,668,229</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 126,278 | 127,003 | 162,682 | 141,928 |
| Contributions - Non-Employer Contribution Entities | 15,120 | 16,078 | 20,682 | 19,725 |
| Contributions - Members | 16,215 | 15,856 | 20,852 | 19,919 |
| Net Investment Income | 1,234 | 1,770 | 896 | 294 |
| Benefit Payments | (201,341) | (172,377) | (162,847) | (155,189) |
| Administrative Expense | (4,281) | (3,475) | (3,167) | (3,306) |
| Change in Allocation | <u>17,821</u> | <u>(6,170)</u> | <u>3,097</u> | <u>(5,876)</u> |
| Net Change in Plan Fiduciary Net Position | (28,954) | (21,315) | 42,195 | 17,495 |
| Plan Fiduciary Net Position - Beginning | <u>100,152</u> | <u>121,467</u> | <u>79,272</u> | <u>61,777</u> |
| Plan Fiduciary Net Position - Ending | <u>71,198</u> | <u>100,152</u> | <u>121,467</u> | <u>79,272</u> |
| Authority's Net OPEB Liability | <u>\$7,750,424</u> | <u>\$4,966,261</u> | <u>\$6,051,075</u> | <u>\$7,588,957</u> |

*GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation, ten years is not presented. Each year thereafter, or additional year will be included until ten years of date is presented.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Year ended December 31, 2020

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Changes of Benefit Terms

None

Changes in Assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date resulting in a change in the discount rate from 6.28% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Changes of Benefit Terms

None

Changes in Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 8.

Supplementary Schedules

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

FOR YEAR ENDED DECEMBER 31, 2020

| | Invested in Capital Assets | Restricted | | Unrestricted | | | Total |
|--|----------------------------------|------------------------------------|--|---------------|-------------------------|------------------|--------------------|
| | | State Unemployment Insurance | Subsequent Year's Budget Appropriation | Designated | Capital Replacements | Debt Service | |
| Operating Revenue: | | | | | | | |
| Service Agreements | | | | | | | 9,894,485 |
| User Charges and Fees | | | | | | | 315,768 |
| Sewer Permits | | | | | | | 7,860 |
| IPP Surcharge/TWA Application Fees | | | | | | | 219,012 |
| Industrial Annual Fees/Industrial User Fines | | | | | | | 39,540 |
| Miscellaneous | | | | | | | 104,705 |
| Interest Income | | | | | | | 2,989 |
| Total Operating Revenue | | | | | | | 10,584,359 |
| Operating Expense: | | | | | | | |
| Cost of Providing Services | | | | | | | 4,526,917 |
| Employee Benefits | | | | | | | 1,304,606 |
| Administrative and General | | | | | | | 2,386,227 |
| Depreciation | 3,175,269 | | | | | | 3,175,269 |
| Total Operating Expense | 3,175,269 | | | | | | 11,393,019 |
| Operating Income | (3,175,269) | | | | | | (808,660) |
| Non-Operating Revenue (Expense): | | | | | | | |
| Interest Income | | | | | | | 24,435 |
| Interest Expense and NJIB Fees | | | | | | | (212,814) |
| Unemployment Ins. Claims - Net | | (6,494) | | | | | (6,494) |
| Debt Service Reserve Credit | | | | | (112,013) | | (112,013) |
| FEMA - Hurricane Sandy Assistance Grant | 65,152 | | | | | | (6,313) |
| Amortization on Bond Premium | 65,152 | (6,494) | | | | | 65,152 |
| Net Income (Loss) Before Transfers | (3,110,117) | (6,494) | | | (112,013) | | (1,056,707) |
| Transfers: | | | | | | | |
| Required Transfers | | | | | | | (129,600) |
| NJETT Reimbursements | (1,450,512) | | 129,600 | | | | 1,450,512 |
| Capital Purchases, Net Disposals | 2,032,183 | | | | | | (2,032,183) |
| Bond Principal Payments | 979,784 | | | | | | (979,784) |
| Budget Appropriation | | | | | 250,000 | 200,000 | (450,000) |
| Increase/(Decrease) in Net Position | (1,548,662) | (6,494) | 129,600 | | 137,987 | 200,000 | (1,056,707) |
| Net Position - January 1, 2020 | 37,070,395 | 109,607 | 1,831,000 | 23,702 | 372,758 | 1,746,623 | 30,035,678 |
| Net Position - December 31, 2020 | 35,521,733 | 103,113 | 1,960,600 | 23,702 | 510,745 | 1,946,623 | 28,978,971 |

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH

FOR THE YEAR ENDED DECEMBER 31, 2020

| | Trustee/ Treasurer Revenue | Revenue Operating | General Account |
|---|----------------------------------|-----------------------|-------------------------|
| Cash, Cash Equivalents and Investments - January 1, 2020 | 215,291 | 739,183 | 3,839,159 |
| Cash Receipts: | | | |
| Revenues | 10,265,340 | | 14,340 |
| Other | 55,946 | | |
| Transfers | | 11,198,862 | |
| Total Cash Receipts | <u>10,321,286</u> | <u>11,198,862</u> | <u>14,340</u> |
| Cash and Investments Available | <u>10,536,577</u> | <u>11,938,045</u> | <u>3,853,499</u> |
| Cash Disbursements: | | | |
| Bond Interest Payments | | 212,814 | |
| Bond Principal Payments | | 979,784 | |
| Operations | | 8,742,118 | |
| Other | | 1,812,977 | |
| Transfers | 8,715,975 | | 19,930 |
| Total Cash Disbursements | <u>8,715,975</u> | <u>11,747,693</u> | <u>19,930</u> |
| Cash, Cash Equivalents and Investments - December 31, 2020 | <u><u>1,820,602</u></u> | <u><u>190,352</u></u> | <u><u>3,833,569</u></u> |
| Analysis of Balance: | | | |
| Cash and Cash Equivalents | 1,820,602 | 190,352 | 3,833,569 |
| Investments | - | - | - |
| | <u>1,820,602</u> | <u>190,352</u> | <u>3,833,569</u> |
| Unrestricted | 1,820,602 | 190,352 | 3,833,569 |
| Restricted | - | - | - |
| | <u><u>1,820,602</u></u> | <u><u>190,352</u></u> | <u><u>3,833,569</u></u> |

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH

FOR THE YEAR ENDED DECEMBER 31, 2020

| | Renewal and Replacement Account | Construction Account | Unemployment Insurance Account |
|---|---------------------------------------|-------------------------|--------------------------------------|
| Cash, Cash Equivalents and Investments - January 1, 2020 | 1,262,479 | 425,068 | 109,607 |
| Cash Receipts: | | | |
| Revenues | 4,632 | 1,560 | |
| Other | | | |
| Transfers | | | |
| Total Cash Receipts | <u>4,632</u> | <u>1,560</u> | <u>-</u> |
| Cash and Investments Available | <u>1,267,111</u> | <u>426,628</u> | <u>109,607</u> |
| Cash Disbursements: | | | |
| Bond Interest Payments | | | |
| Bond Principal Payments | | | |
| Operations | | | |
| Other | | | 6,494 |
| Transfers | | | |
| Total Cash Disbursements | <u>-</u> | <u>-</u> | <u>6,494</u> |
| Cash, Cash Equivalents and Investments - December 31, 2020 | <u><u>1,267,111</u></u> | <u><u>426,628</u></u> | <u><u>103,113</u></u> |
| Analysis of Balance: | | | |
| Cash and Cash Equivalents | 1,267,111 | 426,628 | 103,113 |
| Investments | - | - | - |
| | <u>1,267,111</u> | <u>426,628</u> | <u>103,113</u> |
| Unrestricted | 1,267,111 | 426,628 | - |
| Restricted | - | - | 103,113 |
| | <u>1,267,111</u> | <u>426,628</u> | <u>103,113</u> |

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH

FOR THE YEAR ENDED DECEMBER 31, 2020

| | Capital Replacement Account | Whitlock Pkg. Escrow Account | Total |
|---|-----------------------------------|------------------------------------|-------------------|
| Cash, Cash Equivalents and Investments - | | | |
| January 1, 2020 | 1,476,680 | 10,141 | 8,077,608 |
| Cash Receipts: | | | |
| Revenues | 3,888 | 15 | 10,289,775 |
| Other | 1,404,049 | | 1,459,995 |
| Transfers | | | 11,198,862 |
| Total Cash Receipts | <u>1,407,937</u> | <u>15</u> | <u>22,948,632</u> |
| Cash and Investments Available | <u>2,884,617</u> | <u>10,156</u> | <u>31,026,240</u> |
| Cash Disbursements: | | | |
| Bond Interest Payments | | | 212,814 |
| Bond Principal Payments | | | 979,784 |
| Operations | | | 8,742,118 |
| Other | | | 1,819,471 |
| Transfers | 2,462,957 | | 11,198,862 |
| Total Cash Disbursements | <u>2,462,957</u> | <u>-</u> | <u>22,953,049</u> |
| Cash, Cash Equivalents and Investments - | | | |
| December 31, 2020 | <u>421,660</u> | <u>10,156</u> | <u>8,073,191</u> |
| Analysis of Balance: | | | |
| Cash and Cash Equivalents | 421,660 | 10,156 | 8,073,191 |
| Investments | - | - | - |
| | <u>421,660</u> | <u>10,156</u> | <u>8,073,191</u> |
| Unrestricted | 421,660 | 10,156 | 7,970,078 |
| Restricted | - | - | 103,113 |
| | <u>421,660</u> | <u>10,156</u> | <u>8,073,191</u> |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020

| | FY 2020 Adopted Budget | FY 2020 Budget as Amended | Realized | Excess / (Deficit) | Prior Year Realized |
|---|------------------------------|---------------------------------|-------------------|-----------------------|------------------------|
| Revenues: | | | | | |
| Retained Earnings Appropriated | 200,000 | 200,000 | 200,000 | - | 100,000 |
| Service Agreements | 9,894,485 | 9,894,485 | 9,894,485 | - | 9,437,220 |
| User Charges and Fees | 180,000 | 180,000 | 315,768 | 135,768 | 311,980 |
| Sewer Connection Permits | 7,000 | 7,000 | 7,860 | 860 | 15,896 |
| Industrial Application Fees | 3,750 | 3,750 | 7,200 | 3,450 | 2,740 |
| IPP Surcharge | 180,000 | 180,000 | 214,324 | 34,324 | 222,890 |
| TWA Application Fee | - | - | 4,688 | 4,688 | 9,598 |
| Industrial Annual Fees | 28,000 | 28,000 | 30,000 | 2,000 | 22,000 |
| Industrial User Fines | - | - | 9,540 | 9,540 | 47,350 |
| Unused Capacity Charge | 46,000 | 46,000 | 81,261 | 35,261 | 125,882 |
| Miscellaneous | - | - | 16,244 | 16,244 | 3,470 |
| Interest Income from Operating and Non-operating Investments (1) | 32,500 | 32,500 | 27,424 | (5,076) | 92,071 |
| Total Operating Revenues | 10,571,735 | 10,571,735 | 10,808,794 | 237,059 | 10,391,097 |

(1) Interest earned on Unemployment Account is not included in this amount.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
 SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
 BY OPERATING REVENUE COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2020

| EXPENSES | Adopted 2020 Budget | Amended 2020 Budget | Paid or Charged 2020 | Excess / (Deficit) 2020 | Prior Year |
|---------------------------------------|------------------------|------------------------|----------------------------|--------------------------------|------------------|
| Administration | | | | | |
| 01-501-010 Salary & Wages | 377,900 | 400,900 | 400,349 | 551 | 377,212 |
| 01-501-011 S&W Overtime | 5,600 | 2,300 | 2,259 | 41 | 1,036 |
| 01-501-020 Professional Services | 693,000 | 913,400 | 893,189 | 20,211 | 665,923 |
| 01-501-021 JIF Insurance | 136,000 | 149,300 | 148,776 | 524 | 110,561 |
| 01-501-022 NJPDES Permits | 72,680 | 59,680 | 56,553 | 3,127 | 58,240 |
| 01-501-024 Labor Attorney | 50,000 | 50,000 | 39,644 | 10,356 | 36,323 |
| 01-501-025 IT Computer Services | 74,900 | 74,900 | 67,586 | 7,314 | 70,577 |
| 01-501-030 Materials & Supplies | 45,000 | 82,200 | 76,184 | 6,016 | 45,659 |
| 01-501-031 Member Expense | 4,000 | 4,000 | 1,299 | 2,701 | 3,568 |
| 01-501-032 Member Travel | 12,000 | 4,900 | 2,100 | 2,800 | 8,001 |
| 01-501-040 Maintenance Equipment | 3,750 | 1,250 | 1,092 | 158 | - |
| 01-501-050 Conference/Travel/Seminars | 8,000 | 1,500 | 1,467 | 33 | 2,232 |
| 01-501-060 Dues/Memberships | 8,350 | 8,350 | 7,460 | 890 | 6,722 |
| 01-501-070 Miscellaneous | 3,000 | 1,000 | 160 | 840 | 802 |
| 01-501-071 Security | 6,000 | - | - | - | - |
| 01-501-080 Uniforms & Clothing | 500 | 500 | 178 | 322 | - |
| 01-501-090 Utilities | 440,900 | 647,900 | 647,304 | 596 | 420,254 |
| 01-501-100 Fringe Benefits | 1,574,900 | 1,372,200 | 1,361,666 | 10,534 | 1,213,309 |
| | <u>3,516,480</u> | <u>3,774,280</u> | <u>3,707,266</u> | <u>67,014</u> | <u>3,020,419</u> |
| Safety | | | | | |
| 01-501-110 Salary & Wages | - | - | - | - | - |
| 01-501-120 Professional Services | 4,380 | 4,380 | 3,068 | 1,312 | 4,979 |
| 01-501-130 Materials & Supplies | 2,650 | 2,650 | 2,178 | 472 | 1,797 |
| 01-501-140 Maintenance Equipment | 2,000 | 2,000 | 1,129 | 871 | 975 |
| 01-501-150 Conference/Travel/Seminar | 1,500 | 500 | 55 | 445 | 645 |
| 01-501-160 Dues/Memberships | 400 | 400 | 100 | 300 | 300 |
| 01-501-170 Miscellaneous | 700 | 700 | 52 | 648 | - |
| 01-501-180 Uniforms & Clothing | 350 | 350 | 154 | 196 | - |
| | <u>11,980</u> | <u>10,980</u> | <u>6,736</u> | <u>4,244</u> | <u>8,696</u> |
| Finance | | | | | |
| 01-502-010 Salary & Wages | 175,000 | 181,800 | 180,644 | 1,156 | 170,697 |
| 01-502-020 Professional Services | 53,000 | 53,000 | 52,050 | 950 | 45,498 |
| 01-502-030 Materials & Supplies | 1,500 | 3,500 | 2,986 | 514 | 1,222 |
| 01-502-050 Conference/Travel/Seminar | 4,500 | 1,000 | 210 | 790 | 3,600 |
| 01-502-060 Dues/Memberships | 500 | 500 | 190 | 310 | 275 |
| 01-502-070 Miscellaneous | 1,500 | - | - | - | - |
| 01-502-080 Uniforms & Clothing | 500 | 500 | - | 500 | - |
| | <u>236,500</u> | <u>240,300</u> | <u>236,080</u> | <u>4,220</u> | <u>221,292</u> |
| Engineering | | | | | |
| 01-503-010 Salary & Wages | 268,500 | 287,000 | 286,952 | 48 | 258,174 |
| 01-503-020 Professional Services | 250,000 | 257,000 | 119,147 | 137,853 | 119,390 |
| 01-503-030 Materials & Supplies | 1,000 | 2,500 | 2,304 | 196 | 120 |
| 01-503-050 Conference/Travel/Seminar | 4,000 | 2,800 | 2,722 | 78 | 1,980 |
| 01-503-060 Dues/Memberships | 1,000 | - | - | - | 172 |
| 01-503-070 Miscellaneous | 500 | 500 | - | 500 | - |
| 01-503-080 Uniforms & Clothing | 1,000 | 1,000 | 133 | 867 | 654 |
| | <u>526,000</u> | <u>550,800</u> | <u>411,258</u> | <u>139,542</u> | <u>380,490</u> |
| IPP | | | | | |
| 01-503-110 Salary & Wages | 81,500 | 86,200 | 86,088 | 112 | 81,185 |
| 01-503-111 S&W Overtime | - | - | - | - | - |
| 01-503-120 Professional Services | 60,000 | 44,000 | 28,372 | 15,628 | 29,068 |
| 01-503-130 Materials & Supplies | 1,700 | 1,700 | 1,365 | 335 | 1,251 |
| 01-503-150 Conference/Travel/Seminars | 2,100 | 200 | 194 | 6 | 1,386 |
| 01-503-160 Dues/Memberships | 400 | 400 | 267 | 133 | 257 |
| 01-503-180 Uniforms & Clothing | 650 | 650 | 393 | 257 | 526 |
| | <u>146,350</u> | <u>133,150</u> | <u>116,679</u> | <u>16,471</u> | <u>113,673</u> |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020

| EXPENSES | | Adopted 2020 Budget | Amended 2020 Budget | Paid or Charged 2020 | Excess / (Deficit) 2020 | Prior Year |
|----------------------------------|--------------------------------|------------------------|------------------------|----------------------------|--------------------------------|------------------|
| Electrical | | | | | | |
| 01-503-210 | Salary & Wages | 89,500 | 94,600 | 94,529 | 71 | 89,310 |
| 01-503-211 | S&W Overtime | - | - | - | - | - |
| 01-503-230 | Materials & Supplies | 28,550 | 28,550 | 27,170 | 1,380 | 21,935 |
| 01-503-240 | Maintenance Equipment | 111,500 | 106,500 | 84,142 | 22,358 | 73,055 |
| 01-503-250 | Conference/Travel/Seminars | 2,000 | 2,000 | 330 | 1,670 | - |
| 01-503-270 | Miscellaneous | - | - | - | - | - |
| 01-503-280 | Uniforms & Clothing | 655 | 655 | 607 | 48 | 155 |
| | | <u>232,205</u> | <u>232,305</u> | <u>206,778</u> | <u>25,527</u> | <u>184,455</u> |
| Laboratory | | | | | | |
| 01-505-010 | Salary & Wages | 152,900 | 184,500 | 184,009 | 491 | 156,150 |
| 01-505-011 | S&W Overtime | 2,200 | 800 | 754 | 46 | 165 |
| 01-505-020 | Professional Services | 24,000 | 17,300 | 17,269 | 31 | 17,236 |
| 01-505-030 | Materials & Supplies | 31,000 | 31,000 | 26,796 | 4,204 | 20,526 |
| 01-505-040 | Maintenance Equipment | 10,200 | 10,700 | 9,699 | 1,001 | 9,876 |
| 01-505-050 | Conference/Travel/Seminars | 2,000 | - | - | - | 2,088 |
| 01-505-060 | Dues/Memberships | 350 | 350 | 349 | 1 | 329 |
| 01-505-070 | Miscellaneous | 2,000 | 3,000 | 2,309 | 691 | - |
| 01-505-080 | Uniforms & Clothing | 500 | 700 | 435 | 265 | 415 |
| | | <u>225,150</u> | <u>248,350</u> | <u>241,620</u> | <u>6,730</u> | <u>206,785</u> |
| Operations/Maintenance | | | | | | |
| 01-506-010/011 | Salary & Wages | 1,314,000 | 1,188,600 | 1,188,341 | 259 | 1,150,956 |
| 01-506-012 | S&W Overtime | 120,000 | 170,400 | 162,315 | 8,085 | 160,945 |
| 01-506-013 | Unused Sick Time | 30,000 | 17,000 | 16,141 | 859 | 13,427 |
| 01-506-020 | Professional Services | - | - | - | - | - |
| 01-506-030 | Materials & Supplies | 1,431,000 | 1,369,100 | 1,290,579 | 78,521 | 1,062,744 |
| 01-506-040 | Maintenance Equipment | 250,220 | 368,820 | 324,502 | 44,318 | 183,780 |
| 01-506-050 | Conference/Travel/Seminars | 12,000 | 3,000 | 2,150 | 850 | 12,151 |
| 01-506-060 | Dues/Memberships | 1,500 | 1,500 | 1,218 | 282 | 1,535 |
| 01-506-070 | Miscellaneous | 1,500 | 1,500 | 214 | 1,286 | 185 |
| 01-506-080 | Uniforms & Clothing | 24,000 | 24,000 | 19,340 | 4,660 | 23,902 |
| | | <u>3,184,220</u> | <u>3,143,920</u> | <u>3,004,800</u> | <u>139,120</u> | <u>2,609,625</u> |
| Trunkline | | | | | | |
| 01-507-010/011 | Salary & Wages | 298,400 | 301,500 | 301,433 | 67 | 289,298 |
| 01-507-012 | S&W Overtime | 8,000 | 17,800 | 17,689 | 111 | 2,422 |
| 01-507-020 | Professional Services | 29,000 | 21,000 | 18,772 | 2,228 | 80,899 |
| 01-507-030 | Materials & Supplies | 190,000 | 170,000 | 146,479 | 23,521 | 58,772 |
| 01-507-040 | Maintenance Equipment | 76,000 | 76,000 | 61,009 | 14,991 | 14,157 |
| 01-507-050 | Conference/Travel/Seminars | 7,500 | 900 | - | 900 | 5,175 |
| 01-507-060 | Dues and Membership | 150 | 150 | 50 | 100 | 50 |
| 01-507-080 | Uniforms/Clothing | 500 | 500 | 350 | 150 | - |
| | | <u>609,550</u> | <u>587,850</u> | <u>545,782</u> | <u>42,068</u> | <u>450,773</u> |
| Total Operating Expenses | | <u>8,688,435</u> | <u>8,921,935</u> | <u>8,476,999</u> | <u>444,936</u> | <u>7,196,208</u> |
| Debt Service and Reserves | | | | | | |
| 01-502-090 | Debt Service-Principal | 1,077,800 | 979,800 | 979,784 | 16 | 916,530 |
| 01-502-090 | Debt Service-Interest | 244,300 | 189,300 | 182,229 | 7,071 | 199,568 |
| 01-502-090 | Debt Service-Admin. Fees NJEIT | 111,200 | 30,700 | 30,585 | 115 | 68,666 |
| 01-502-100 | Reserve- Debt Service | 250,000 | 250,000 | 250,000 | - | 250,000 |
| 01-502-100 | Reserve- R&R | 200,000 | 200,000 | 200,000 | - | 200,000 |
| | | <u>1,883,300</u> | <u>1,649,800</u> | <u>1,642,598</u> | <u>7,202</u> | <u>1,634,764</u> |
| TOTAL | | <u>10,571,735</u> | <u>10,571,735</u> | <u>10,119,597</u> | <u>452,138</u> | <u>8,830,972</u> |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Adopted 2020 Budget | Amended 2020 Budget | Paid or Charged 2020 | Excess / (Deficit) 2020 | Prior Year |
|---|--------------------------------|--------------------------------|-------------------------------------|---|-----------------------|
| Excess of Revenues Over Expenses: | - | - | 689,197 | | 1,560,125 |
| Reconciliation of Budgetary Basis to GAAP: | | | | | |
| Retained Earnings Appropriated: | | | | | |
| Unrestricted Accounts | | | (200,000) | | (100,000) |
| Renewal and Replacement | | | 200,000 | | 200,000 |
| Reserves for Debt Service | | | 250,000 | | 250,000 |
| Depreciation Expense | | | (3,175,269) | | (2,532,430) |
| Amortization | | | 65,152 | | 57,332 |
| Bond Principal | | | 979,784 | | 916,530 |
| Net Adjustment for Pension Expense | | | (12,656) | | (216,428) |
| Net Adjustment for OPEB Expense | | | 69,716 | | 256,266 |
| Unemployment Fund - Net | | | (6,494) | | (22,172) |
| Loss from Disposal of Assets | | | (6,313) | | (19,919) |
| Debt Service Reserve Credit | | | (112,013) | | (377,242) |
| Litigation Credit (Net) | | | 202,189 | | 182,460 |
| Cost of Issuance | | | - | | (30,971) |
| Total Adjustments | | | (1,745,904) | | (1,436,574) |
| Change in Net Position | | | (1,056,707) | | 123,551 |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF CAPITAL BUDGET PROGRAM
FUNDED BY FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | | | FY 2020 Adopted Budget | FY 2020 Budget as Amended | FY 2020 Actual | Excess / (Deficit) |
|--|--|-----|------------------------------|---------------------------------|-------------------|-----------------------|
| Financing Sources: | | | | | | |
| Proceeds of NJEIT Loans | | | 24,686,500 | 24,686,500 | 1,227,607 | 23,458,893 |
| Renewal and Replacement | | | 720,000 | 720,000 | | |
| Unrestricted - Undesignated Net Position | | | 1,631,000 | 1,631,000 | 467,378 | 1,163,622 |
| Total Financing Sources | | | 27,037,500 | 27,037,500 | 1,694,985 | 24,622,515 |
| Capital Improvements and Replacements | | | | | | |
| Administration | | | | | | |
| 01-851-001 | Computers Plotter and Software | (1) | 10,000 | 10,000 | 9,783 | 217 |
| 01-851-002 | File Cabinet/Furniture | (1) | 5,000 | 5,000 | - | 5,000 |
| 01-851-003 | Security Surveillance | (1) | 18,000 | 18,000 | 4,373 | 13,627 |
| 01-851-004 | Miscellaneous | (1) | 8,000 | 8,000 | 4,559 | 3,441 |
| 01-851-006 | Fireman Home Access Agreement | (1) | 20,000 | 20,000 | - | 20,000 |
| | | | 61,000 | 61,000 | 18,715 | 42,285 |
| Engineering/Electrical | | | | | | |
| 01-853-002 | Odor Control Equipment | (1) | 50,000 | 50,000 | - | 50,000 |
| 01-853-003 | Infrastructure Upgrade | (1) | 175,000 | 175,000 | 108,490 | 66,510 |
| 01-853-004 | Electrical Breakers | (1) | - | - | 11,045 | (11,045) |
| 01-853-005 | Generator Services | (1) | 35,000 | 35,000 | - | 35,000 |
| 01-853-006 | Building Misc Upgrade | (1) | 18,000 | 18,000 | - | 18,000 |
| 01-853-009 | Interceptor Sewer Rehab | (1) | 100,000 | 100,000 | - | 100,000 |
| 01-853-015 | Emergency Generator Substation | (3) | 350,000 | 350,000 | - | 350,000 |
| 15-553-008 | Filtration, P Removal and Plan Upgrade | (1) | - | - | - | - |
| 01-853-013 | Asset Management | (1) | 28,000 | 28,000 | - | 28,000 |
| 01-853-014 | Dog House Water | (1) | 30,000 | 30,000 | - | 30,000 |
| 01-853-012 | Boonton Interceptor Relining | (3) | 370,000 | 370,000 | - | 370,000 |
| 01-853-101 | IPP Equipment | (1) | 3,000 | 3,000 | - | 3,000 |
| | | | 1,159,000 | 1,159,000 | 119,535 | 1,036,465 |
| Laboratory | | | | | | |
| 01-855-001 | Laboratory Equipment | (1) | 11,000 | 11,000 | - | 11,000 |
| | | | 11,000 | 11,000 | - | 11,000 |
| Operations/Maintenance | | | | | | |
| 01-856-001 | Oxidation Equipment | (1) | 115,000 | 115,000 | 50,848 | 64,152 |
| 01-856-002 | Pumping Equipment | (1) | 108,000 | 108,000 | 80,126 | 27,874 |
| 15-556-003 | Vehicles | (1) | 103,000 | 103,000 | 56,079 | 46,921 |
| 01-856-004 | Facilities Bldg Repair | (1) | 325,000 | 325,000 | 47,639 | 277,361 |
| 01-856-005 | Miscellaneous Equipment | (1) | 199,000 | 199,000 | 5,996 | 193,004 |
| | | | 850,000 | 850,000 | 240,688 | 609,312 |
| Trunkline | | | | | | |
| 01-857-001 | Trunkline Equip/Repairs | (1) | 80,000 | 80,000 | 69,250 | 10,750 |
| 01-857-002 | Meter Chamber Misc. Equipment | (1) | 190,000 | 190,000 | 19,190 | 170,810 |
| | | | 270,000 | 270,000 | 88,440 | 181,560 |
| NJEIT | | | | | | |
| 01-EIT-035 | NJEIT Debt Auth- Interceptor | (2) | 1,089,700 | 1,089,700 | 471,394 | 618,306 |
| 01-EIT-038 | NJEIT Debt Auth- Monroe Street | (2) | 96,800 | 96,800 | 7,670 | 89,130 |
| 01-EIT-040 | NJEIT Debt Auth- Final Clarifiers | (2) | 2,700,000 | 2,700,000 | 665,813 | 2,034,187 |
| 01-EIT-041 | NJEIT Debt Auth- Phosphorus & Filtration Remov | (2) | 14,000,000 | 14,000,000 | 82,730 | 13,917,270 |
| 01-EIT-044 | NJEIT Debt Auth- Emer. Generator & Substation | (2) | 3,000,000 | 3,000,000 | - | 3,000,000 |
| 01-EIT-043 | NJEIT Debt Auth- Boonton, Denville Interceptor | (2) | 3,800,000 | 3,800,000 | - | 3,800,000 |
| | | | 24,686,500 | 24,686,500 | 1,227,607 | 23,458,893 |
| TOTAL Capital Improvements and Replacements | | | 27,037,500 | 27,037,500 | 1,694,985 | 25,339,515 |

(1) Funded by Unrestricted - Undesignated Net Position

(2) Funded by Proceeds of NJEIT Loans.

(3) Funded by Other Source

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF CAPITAL BUDGET PROGRAM
FUNDED BY FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | | FY 2019 Adopted Budget | FY 2019 Budget as Amended | FY 2019 Actual | Excess / (Deficit) |
|--|--|-----|------------------------------|---------------------------------|-------------------|-----------------------|
| Financing Sources: | | | | | | |
| Proceeds of NJEIT Loans | | | 20,292,300 | 20,428,026 | 3,140,686 | 17,287,340 |
| Renewal and Replacement Fund | | | 370,000 | 370,000 | - | 370,000 |
| Unrestricted - Undesignated Net Position | | | 1,607,000 | 1,837,600 | 701,828 | 1,135,772 |
| Total Financing Sources | | | 22,269,300 | 22,635,626 | 3,842,514 | 18,793,112 |
| Capital Improvements and Replacements | | | | | | |
| Administration | | | | | | |
| 01-851-001 | Computers Plotter and Software | (1) | 10,000 | 10,000 | 3,359 | 6,641 |
| 01-851-002 | File Cabinet/Furniture | (1) | 5,000 | 5,000 | - | 5,000 |
| 01-851-003 | Security Surveillance | (1) | 18,000 | 18,000 | 10,925 | 7,075 |
| 01-851-004 | Miscellaneous | (1) | 8,000 | 8,000 | - | 8,000 |
| 01-851-006 | Fireman Home Access Agreement | (1) | 20,000 | 20,000 | - | 20,000 |
| | | | <u>61,000</u> | <u>61,000</u> | <u>14,284</u> | <u>46,716</u> |
| Engineering/Electrical | | | | | | |
| 01-853-002 | Odor Control Equipment | (1) | 50,000 | 50,000 | - | 50,000 |
| 01-853-003 | Infrastructure Upgrade | (1) | 175,000 | 175,000 | 161,379 | 13,621 |
| 01-853-005 | Generator Services | (1) | 80,000 | 80,000 | 69,256 | 10,744 |
| 01-853-006 | Building Misc Upgrade | (1) | 17,000 | 17,000 | 11,677 | 5,323 |
| 01-853-009 | Interceptor Sewer Rehab | (1) | - | 100,000 | - | 100,000 |
| 01-853-015 | Emergency Generator Substation | (1) | 345,000 | 345,000 | - | 345,000 |
| 15-553-008 | Filtration, P Removal and Plan Upgrade | (1) | 100,000 | 100,000 | - | 100,000 |
| 01-853-013 | Asset Management | (1) | 20,000 | 20,000 | - | 20,000 |
| 01-853-014 | Dog House Water | (1) | 30,000 | 30,000 | - | 30,000 |
| 01-853-012 | Boonton Interceptor Relining | (3) | 370,000 | 370,000 | - | 370,000 |
| 01-853-101 | IPP Equipment | (1) | 3,000 | 3,000 | 2,662 | 338 |
| | | | <u>1,190,000</u> | <u>1,290,000</u> | <u>244,974</u> | <u>1,044,688</u> |
| Laboratory | | | | | | |
| 01-855-001 | Laboratory Equipment | (1) | 11,000 | 11,000 | 7,515 | 3,485 |
| | | | <u>11,000</u> | <u>11,000</u> | <u>7,515</u> | <u>3,485</u> |
| Operations/Maintenance | | | | | | |
| 01-856-001 | Oxidation Equipment | (1) | 90,000 | 127,400 | - | 127,400 |
| 01-856-002 | Pumping Equipment | (1) | 44,000 | 97,000 | 10,386 | 86,614 |
| 15-556-003 | Vehicles | (1) | 60,000 | - | - | - |
| 01-856-004 | Facilities Bldg Repair | (1) | 124,000 | 196,000 | 145,643 | 50,357 |
| 01-856-005 | Miscellaneous Equipment | (1) | 67,000 | 75,200 | 54,017 | 21,183 |
| 01-856-006 | CCT Automated Monitoring | (1) | - | 20,000 | 3,362 | 16,638 |
| 01-856-007 | Grit Conveyor | (1) | 100,000 | 100,000 | 51,141 | 48,859 |
| | | | <u>485,000</u> | <u>615,600</u> | <u>264,549</u> | <u>351,051</u> |
| Trunkline | | | | | | |
| 01-857-001 | Trunkline Equip/Repairs | (1) | 80,000 | 80,000 | 56,616 | 23,384 |
| 01-857-002 | Meter Chamber Misc. Equipment | (1) | 150,000 | 150,000 | 113,890 | 36,110 |
| | | | <u>230,000</u> | <u>230,000</u> | <u>170,506</u> | <u>59,494</u> |
| NJEIT | | | | | | |
| 01-EIT-035 | NJEIT Debt Auth- Interceptor | (2) | 992,300 | 992,300 | 41,449 | 950,851 |
| 01-EIT-038 | NJEIT Debt Auth- Monroe Street | (2) | - | 135,726 | 38,726 | 97,000 |
| 01-EIT-040 | NJEIT Debt Auth- Final Clarifiers | (2) | 5,500,000 | 5,500,000 | 2,855,189 | 2,644,811 |
| 01-EIT-041 | NJEIT Debt Auth- Phosphorus & Filtration Remov | (2) | 7,000,000 | 7,000,000 | 205,322 | 6,794,678 |
| 01-EIT-044 | NJEIT Debt Auth- Emer. Generator & Substation | (2) | 3,000,000 | 3,000,000 | - | 3,000,000 |
| 01-EIT-043 | NJEIT Debt Auth- Boonton, Deaville Interceptor | (2) | 3,800,000 | 3,800,000 | - | 3,800,000 |
| | | | <u>20,292,300</u> | <u>20,428,026</u> | <u>3,140,686</u> | <u>17,287,340</u> |
| TOTAL Capital Improvements and Replacements | | | 22,269,300 | 22,635,626 | 3,842,514 | 18,792,774 |

(1) Funded by Unrestricted - Undesignated Net Position

(2) Funded by Proceeds of NJEIT Loans.

(3) Funded by Renewal and Replacement

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Redeemed | Balance Dec. 31, 2020 |
|---|---------------|---------------|------------------------|---------|----------------------|-------------|---------------|-----------------------|
| | | | Date | Amount | | | | |
| New Jersey Environmental Infrastructure Trust - Series 2007A Bio-solids Building | 11/8/2007 | 0.000% | 2021 | 361,683 | 784,861 | | | 422,422 |
| | | 0.000% | 2022 | 60,739 | | | | |
| New Jersey Environmental Infrastructure Fund - Series 2010A Inceptor | 3/10/2010 | 0.000% | 2021 | 107,924 | 1,079,236 | | 107,924 | 971,312 |
| | | 0.000% | 2022 | 107,924 | | | | |
| | | 0.000% | 2023 | 107,924 | | | | |
| | | 0.000% | 2024 | 107,924 | | | | |
| | | 0.000% | 2025 | 107,924 | | | | |
| | | 0.000% | 2026 | 107,924 | | | | |
| | | 0.000% | 2027 | 107,924 | | | | |
| | | 0.000% | 2028 | 107,924 | | | | |
| | | 0.000% | 2029 | 107,920 | | | | |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Redeemed | Balance Dec. 31, 2020 |
|---|---------------|---|------------------------|--------|----------------------|-------------|---------------|-----------------------|
| | | | Date | Amount | | | | |
| New Jersey Environmental Infrastructure Trust - Series 2010B Interceptor | 3/10/2010 | 3.000% | 2021 | 37,000 | 411,000 | | 33,000 | 378,000 |
| | | 4.000% | 2022 | 38,000 | | | | |
| | | 4.000% | 2023 | 38,000 | | | | |
| | | 4.000% | 2024 | 43,000 | | | | |
| | | 4.000% | 2025 | 43,000 | | | | |
| | | 3.500% | 2026 | 42,000 | | | | |
| | | 4.000% | 2027 | 43,000 | | | | |
| | | 4.000% | 2028 | 47,000 | | | | |
| | | 4.000% | 2029 | 47,000 | | | | |
| | | New Jersey Environmental Infrastructure Fund - Series 2012A P-1 Building | 5/3/2012 | 0.000% | | | | |
| 0.000% | 2022 | | | 87,356 | | | | |
| 0.000% | 2023 | | | 87,356 | | | | |
| 0.000% | 2024 | | | 87,356 | | | | |
| 0.000% | 2025 | | | 87,356 | | | | |
| 0.000% | 2026 | | | 87,356 | | | | |
| 0.000% | 2027 | | | 87,356 | | | | |
| 0.000% | 2028 | | | 87,356 | | | | |
| 0.000% | 2029 | | | 87,356 | | | | |
| 0.000% | 2030 | | | 87,356 | | | | |
| 0.000% | 2031 | | | 87,357 | | | | |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Redeemed | Balance Dec. 31, 2020 |
|---|---------------|---------------|------------------------|---------|----------------------|-------------|---------------|-----------------------|
| | | | Date | Amount | | | | |
| New Jersey Environmental Infrastructure Trust - Series 2012B P-T Building | 5/3/2012 | 5.000% | 2021 | 75,000 | 1,115,000 | | 70,000 | 1,045,000 |
| | | | 2022 | 80,000 | | | | |
| | | | 2023 | 85,000 | | | | |
| | | | 2024 | 90,000 | | | | |
| | | | 2025 | 90,000 | | | | |
| | | | 2026 | 95,000 | | | | |
| | | | 2027 | 100,000 | | | | |
| | | | 2028 | 105,000 | | | | |
| | | | 2029 | 105,000 | | | | |
| | | | 2030 | 110,000 | | | | |
| | | | 2031 | 110,000 | | | | |
| New Jersey Environmental Infrastructure Fund - Series 2015A (Refunding 2007A Fund Loan) Bio-solids Building | 11/24/2015 | 5.000% | 2021 | 213,000 | 1,938,000 | | 204,000 | 1,734,000 |
| | | | 2022 | 224,000 | | | | |
| | | | 2023 | 234,000 | | | | |
| | | | 2024 | 246,000 | | | | |
| | | | 2025 | 260,000 | | | | |
| | | | 2026 | 271,000 | | | | |
| | | | 2027 | 286,000 | | | | |
| | | | | | | | | |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Refeamed | Balance Dec. 31, 2020 |
|--|---------------|---------------|------------------------|--------|----------------------|-------------|---------------|-----------------------|
| | | | Date | Amount | | | | |
| New Jersey Environmental Infrastructure Fund - Series 2018A-2 West Main Street | 11/29/2018 | 0.000% | 2021 | 42,687 | | | | |
| | | | 2022 | 42,687 | | | | |
| | | | 2023 | 42,688 | | | | |
| | | | 2024 | 42,687 | | | | |
| | | | 2025 | 42,687 | | | | |
| | | | 2026 | 42,687 | | | | |
| | | | 2027 | 42,687 | | | | |
| | | | 2028 | 42,687 | | | | |
| | | | 2029 | 42,688 | | | | |
| | | | 2030 | 42,687 | | | | |
| | | | 2031 | 42,687 | | | | |
| | | | 2032 | 42,687 | | | | |
| | | | 2033 | 42,687 | | | | |
| | | | 2034 | 42,688 | | | | |
| | | | 2035 | 42,687 | | | | |
| | | | 2036 | 42,687 | | | | |
| | | | 2037 | 42,687 | | | | |
| | | | 2038 | 42,687 | | | | |
| | | | 2039 | 42,687 | | | | |
| | | | 2040 | 42,687 | | | | |
| 2041 | 42,688 | | | | | | | |
| 2042 | 42,687 | | | | | | | |
| 2043 | 42,687 | | | | | | | |
| 2044 | 42,687 | | | | | | | |
| 2045 | 42,687 | | | | | | | |
| 2046 | 42,687 | | | | | | | |
| 2047 | 42,687 | | | | | | | |
| 2048 | 42,687 | | | | | | | |
| | | | | | 1,237,927 | | 42,687 | 1,195,240 |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Date | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Redeemed | Balance Dec. 31, 2020 | |
|--|---------------|---------------|------|------------------------|--------|----------------------|-------------|---------------|-----------------------|--|
| | | | | December 31, 2020 | Amount | | | | | |
| New Jersey Environmental Infrastructure Trust - Series 2018A-2 West Main Street | 11/29/2018 | 5.000% | 2021 | 10,000 | | | | | | |
| | | 5.000% | 2022 | 10,000 | | | | | | |
| | | 5.000% | 2023 | 10,000 | | | | | | |
| | | 5.000% | 2024 | 10,000 | | | | | | |
| | | 5.000% | 2025 | 10,000 | | | | | | |
| | | 5.000% | 2026 | 10,000 | | | | | | |
| | | 5.000% | 2027 | 10,000 | | | | | | |
| | | 4.000% | 2028 | 10,000 | | | | | | |
| | | 4.000% | 2029 | 10,000 | | | | | | |
| | | 4.000% | 2030 | 10,000 | | | | | | |
| | | 4.000% | 2031 | 10,000 | | | | | | |
| | | 4.000% | 2032 | 15,000 | | | | | | |
| | | 4.000% | 2033 | 15,000 | | | | | | |
| | | 4.000% | 2034 | 15,000 | | | | | | |
| | | 4.000% | 2035 | 15,000 | | | | | | |
| | | 4.000% | 2036 | 15,000 | | | | | | |
| | | 4.000% | 2037 | 15,000 | | | | | | |
| | | 4.000% | 2038 | 15,000 | | | | | | |
| | | 4.000% | 2039 | 15,000 | | | | | | |
| | | 4.000% | 2040 | 20,000 | | | | | | |
| 4.000% | 2041 | 20,000 | | | | | | | | |
| 4.000% | 2042 | 20,000 | | | | | | | | |
| 4.000% | 2043 | 20,000 | | | | | | | | |
| 4.000% | 2044 | 20,000 | | | | | | | | |
| 4.000% | 2045 | 20,000 | | | | | | | | |
| 4.000% | 2046 | 20,000 | | | | | | | | |
| 4.000% | 2047 | 25,000 | | | | | | | | |
| 4.000% | 2048 | 25,000 | | | | | | | | |
| | | | | | | 425,000 | | 5,000 | 420,000 | |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Redeemed | Balance Dec. 31, 2020 | |
|---|---------------|---------------|------------------------|--------|----------------------|-------------|---------------|-----------------------|--|
| | | | Date | Amount | | | | | |
| New Jersey Environmental Infrastructure Fund - Series 2019A-1 Monroe Street Pumpin Station | 5/23/2019 | 0.000% | 2021 | 57,378 | | | | | |
| | | | 2022 | 57,378 | | | | | |
| | | | 2023 | 57,378 | | | | | |
| | | | 2024 | 57,378 | | | | | |
| | | | 2025 | 57,378 | | | | | |
| | | | 2026 | 57,378 | | | | | |
| | | | 2027 | 57,378 | | | | | |
| | | | 2028 | 57,378 | | | | | |
| | | | 2029 | 57,378 | | | | | |
| | | | 2030 | 57,378 | | | | | |
| | | | 2031 | 57,378 | | | | | |
| | | | 2032 | 57,378 | | | | | |
| | | | 2033 | 57,378 | | | | | |
| | | | 2034 | 57,378 | | | | | |
| | | | 2035 | 57,378 | | | | | |
| | | | 2036 | 57,378 | | | | | |
| | | | 2037 | 57,378 | | | | | |
| | | | 2038 | 57,378 | | | | | |
| | | | 2039 | 57,378 | | | | | |
| | | | 2040 | 57,378 | | | | | |
| 2041 | 57,378 | | | | | | | | |
| 2042 | 57,378 | | | | | | | | |
| 2043 | 57,378 | | | | | | | | |
| 2044 | 57,378 | | | | | | | | |
| 2045 | 57,378 | | | | | | | | |
| 2046 | 57,378 | | | | | | | | |
| 2047 | 57,378 | | | | | | | | |
| 2048 | 57,378 | | | | | | | | |
| | | | | | 1,663,962 | | 57,378 | 1,606,584 | |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

| Description | Date of Issue | Interest Rate | Outstanding Maturities | | Balance Jan. 1, 2020 | 2020 Issued | 2020 Redeemed | Balance Dec. 31, 2020 |
|--|---------------|---------------|------------------------|------------|----------------------|-------------|---------------|-----------------------|
| | | | Date | Amount | | | | |
| New Jersey Environmental Infrastructure Trust - Series 2019A-1 Mourne Street Pumpin Station | 5/23/2019 | 5.000% | 2021 | 10,000 | | | | |
| | | 5.000% | 2022 | 10,000 | | | | |
| | | 5.000% | 2023 | 15,000 | | | | |
| | | 5.000% | 2024 | 15,000 | | | | |
| | | 5.000% | 2025 | 15,000 | | | | |
| | | 5.000% | 2026 | 15,000 | | | | |
| | | 5.000% | 2027 | 15,000 | | | | |
| | | 5.000% | 2028 | 15,000 | | | | |
| | | 2.000% | 2029 | 15,000 | | | | |
| | | 2.000% | 2030 | 20,000 | | | | |
| | | 2.125% | 2031 | 20,000 | | | | |
| | | 2.250% | 2032 | 20,000 | | | | |
| | | 2.500% | 2033 | 20,000 | | | | |
| | | 3.000% | 2034 | 20,000 | | | | |
| | | 3.000% | 2035 | 20,000 | | | | |
| | | 3.000% | 2036 | 20,000 | | | | |
| | | 3.000% | 2037 | 20,000 | | | | |
| | | 3.000% | 2038 | 20,000 | | | | |
| | | 3.000% | 2039 | 20,000 | | | | |
| | | 3.000% | 2040 | 25,000 | | | | |
| 3.000% | 2041 | 25,000 | | | | | | |
| 3.000% | 2042 | 25,000 | | | | | | |
| 3.000% | 2043 | 25,000 | | | | | | |
| 3.000% | 2044 | 25,000 | | | | | | |
| 3.000% | 2045 | 25,000 | | | | | | |
| 3.000% | 2046 | 30,000 | | | | | | |
| 3.000% | 2047 | 30,000 | | | | | | |
| 3.000% | 2048 | 30,000 | | | | | | |
| | | | | 575,000 | | 10,000 | 565,000 | |
| | | | | 10,278,259 | | 979,784 | 9,298,475 | |
| | | | | 979,784 | | | 1,002,028 | |
| | | | | 9,298,475 | | | 8,296,447 | |
| | | | | 10,278,259 | | | 9,298,475 | |
| | | | Short-Term | | | | | |
| | | | Long-Term | | | | | |
| | | | Total | | | | | |

SCHEDULE 7

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

**ANALYSIS OF ACCOUNTS RECEIVABLE - SEWER FEES
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | <u>Balance</u> <u>Jan. 1, 2020</u> | <u>Increased</u> | <u>Decreased</u> | <u>Balance</u> <u>Dec. 31, 2020</u> |
|-----------------------|---------------------------------------|-------------------|-------------------|--|
| City of Jersey City | 7,359,950 | 4,542,191 | 3,382,643 | 8,519,498 |
| Town of Boonton | - | 499,092 | 499,092 | - |
| Boonton Township | - | 86,479 | 86,479 | - |
| Town of Dover | (7) | 1,371,296 | 1,257,025 | 114,264 |
| Denville Township | 48,015 | 634,429 | 682,439 | 5 |
| Randolph Township | 75,298 | 1,052,771 | 1,052,771 | 75,298 |
| Rockaway Borough | - | 212,967 | 212,967 | - |
| Rockaway Township | 6 | 1,858,984 | 1,858,984 | 6 |
| Victory Gardens | - | 135,224 | 135,224 | - |
| Borough of Wharton | 2 | 660,532 | 605,487 | 55,047 |
| Picatinny Arsenal | 37,219 | 221,566 | 221,569 | 37,216 |
| Township of Mine Hill | <u>7,167</u> | <u>94,200</u> | <u>101,732</u> | <u>(365)</u> |
| | <u>7,527,650</u> | <u>11,369,731</u> | <u>10,096,412</u> | <u>8,800,969</u> |

SCHEDULE 8

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at December 31, 2020:

| <u>Name</u> | <u>Office</u> |
|----------------------|---------------------------------|
| Hector R. Schorno | Chairman |
| John Cegelka | Vice Chairman |
| Michael Guadagno | Secretary |
| Glenn Corbett | Treasurer |
| Anthony Recchia, Jr. | Member |
| Donald Farrell | Member |
| William J. Isselin | Member |
| Mark Howarth | Member |
| Thomas Zuppa, Jr. | Member |
| Thomas M. Andes | Member |
| JoAnn Mondsini | Executive Director |
| Robert Bocchino | Manager of Engineering |
| Corinne Mosher | Manager of Safety/HR |
| Eric Reichert | Assistant Plant Manager |
| Mario Bonaccorso | Plant Manager/Licensed Operator |
| Malgorzata Wachowiak | Laboratory Manager |
| Sandy Thai, CMFO | Chief Financial Officer |

All members and employees are covered by insurance policies provided through the New Jersey Utility Authorities Joint Insurance Fund.

Government Auditing Standards Report



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of the
Rockaway Valley Regional Sewerage Authority
99 Green Bank Road
Boonton, New Jersey 07005

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Rockaway Valley Regional Sewerage Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the Rockaway Valley Regional Sewerage Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rockaway Valley Regional Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockaway Valley Regional Sewerage Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Honorable Chairman and Members of the
Rockaway Valley Regional Sewerage Authority
Page 2.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockaway Valley Regional Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

February 10, 2022



Single Audit Section



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
THOMAS M. FERRY, CPA, RMA, PSA

HEADQUARTERS
401 WANAQUE AVENUE
POMPTON LAKES, NEW JERSEY 07442
(973)-835-7900
OFFICE@W-CPA.COM

ROCKAWAY OFFICE
100 ENTERPRISE DRIVE
SUITE 301
ROCKAWAY, NEW JERSEY 07866
(973)-835-7900

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND
STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE AND N.J. OMB CIRCULAR 15-08**

Honorable Chairman and Members of the
Rockaway Valley Regional Sewerage Authority
99 Green Bank Road
Boonton, New Jersey 07005

Report on Compliance for Each Major Federal and State Programs

We have audited the Rockaway Valley Regional Sewerage Authority's compliance with the types of compliance requirements described in the Office of Management and Budget (OMB)'s *Compliance Supplements* and N.J. OMB Circular 15-08 that could have a direct and material effect on each of the Rockaway Valley Regional Sewerage Authority's major federal and state programs for the year ended December 31, 2020. The Rockaway Valley Regional Sewerage Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rockaway Valley Regional Sewerage Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and N.J. OMB Circular 15-08. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Rockaway Valley Regional Sewerage Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our provides a reasonable basis for our opinion on compliance for each major federal and state programs. However, our audit does not provide a legal determination of the Rockaway Valley Regional Sewerage Authority's compliance.

Opinion on Each Major Federal and State Programs

In our opinion, the Rockaway Valley Regional Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Rockaway Valley Regional Sewerage Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Rockaway Valley Regional Sewerage Authority's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rockaway Valley Regional Sewerage Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Honorable Chairman and Members of the
Rockaway Valley Regional Sewerage Authority
Page 3.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards by Uniform Guidance and N.J. OMB Circular 15-08

We have audited the financial statements of the Rockaway Valley Regional Sewerage Authority as of and for the year ended December 31, 2020, and have issued our report thereon dated February 10, 2022 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by Uniform Guidance and N.J. OMB Circular 15-08 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the management and the New Jersey State Department of Community Affairs, other state and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

February 10, 2022



SCHEDULE A

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

| Federal Grantor/Pass-Through Grantor/Program Title/Cluster Title | CFDA Number | State Agency Account Number | Grant Award | Grant Receipts | Grant Period | | Grant Expenditures | Cumulative Grant Expenditures |
|---|----------------|--------------------------------|---------------------|-------------------|--------------|----------|-----------------------|-------------------------------------|
| | | | | | From | To | | |
| Capitalization Grants for Clean Water State Revolving Funds: NJET Project No. S340821-02 | 66.458 | 042-4860-510-009 | \$ 2,122,500 | \$ 98,229 | 01/01/20 | 12/31/20 | \$ 329,548 | \$ 1,639,376 |
| NJET Project No. S340821-07 (CLP) | 66.458 | n/a | \$ 5,557,425 | \$ 954,807 | 01/01/20 | 12/31/20 | \$ 738,824 | \$ 4,924,678 |
| Total Federal Financial Assistance | | | <u>\$ 1,053,036</u> | | | | <u>\$ 1,068,372</u> | <u>\$ 7,830,439</u> |

U.S. Environmental Protection Agency:
Pass Through New Jersey Department of
Environmental Protection:

See accompanying notes to the schedule of expenditures of federal awards.

SCHEDULE B

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

DECEMBER 31, 2020

| State Funding Department | State Grant Account Number | Grant Award | Grant Receipts | Grant Period | | Grant Expenditures | Cumulative Grant Expenditures |
|--|----------------------------|--------------|----------------|--------------|----------|--------------------|-------------------------------|
| | | | | From | To | | |
| <u>New Jersey Department of Environmental Protection:</u> | | | | | | | |
| Sewerage Facility Construction Grants: | | | | | | | |
| | 042-4800-526-006 | \$ 711,755 | \$ 32,743 | 01/01/20 | 12/31/20 | \$ 109,849 | \$ 546,474 |
| | 042-4800-526-006 | \$ 730,735 | \$ - | 01/01/20 | 12/31/20 | \$ 246,275 | \$ 605,597 |
| | 042-4800-526-006 | \$ 1,852,475 | \$ 318,270 | 01/01/20 | 12/31/20 | \$ 356,124 | \$ 1,146,367 |
| | | | \$ 351,013 | | | \$ 356,124 | \$ 2,720,566 |
| Total State Financial Assistance | | | | | | | |

This statement is not required under NJ OMB Circular 15-08 and is being presented for management purposes only.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2020**

NOTE 1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Rockaway Valley Regional Sewerage Authority. The Authority is defined in Note 1 to the Authority's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the accrual basis of accounting. These bases of accounting are described in Notes 2(A) to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Guidance and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's financial statements as follows:

| | New Jersey Environmental <u>Fund</u> | New Jersey Environmental <u>Trust</u> | <u>Total</u> |
|-------------------|--|---|--------------------|
| Balance- 12/31/19 | \$2,473,713 | \$949,710 | \$3,423,423 |
| Awarded | | | 0 |
| Grants Received | <u>1,053,036</u> | <u>351,013</u> | <u>1,404,049</u> |
| Balance- 12/31/20 | <u>\$1,420,677</u> | <u>\$598,697</u> | <u>\$2,019,374</u> |

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. INDIRECT COST RATE

The Rockaway Valley Regional Sewerage Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

1. Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported
2. Material weakness(es) identified? yes X no

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported
2. Material weakness(es) identified? yes X no

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance yes X no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| <u>66.458</u> | <u>Capitalization Grants for Clean Water State Revolving Fund</u> |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results, (continued)

State Awards Section

Dollar threshold used to determine type A programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Type of auditors' report on compliance for major programs: unmodified

Internal Control over compliance:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? yes X no

Identification of major programs:

| <u>GMIS Number(s)</u> | <u>Name of State Program</u> |
|-------------------------|--|
| <u>042-4800-526-006</u> | <u>N.J. Environmental Infrastructure Trust</u> |

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
(continued)**

Section II - Financial Statement Findings

None

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

Status of Prior Year Findings

A review was performed on all prior year's recommendations and corrective action was taken.

General Comments and Recommendations

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$44,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The governing body of the Authority has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Authority's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

ROCKAWAY VALLEY REGIONAL SEWERAGE AUTHORITY

A review was performed on all prior year recommendations and corrective action was taken on all items.

Problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Rockaway Valley Regional Sewerage Authority for their cooperation during the performance of our audit.

Respectfully submitted,

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey